



FY2025 BUDGET OVERVIEW

BUREAU OF FINANCE AND MANAGEMENT

JANUARY 9, 2024

BFM Budget Team



**Jim
Terwilliger**

Commissioner



**Steven
Kohler**

*Deputy
Commissioner*



**Derek
Johnson**

*State
Economist*



**Morgan
Gruebele**

*Chief
Budget
Analyst*



**Brandy
Miesner**

*Principal
Budget
Analyst*



**Blaire
Tritle**

*Budget
Analyst*



**Yolanda
Sung**

*Budget
Analyst*



**Duncan
Koch**

*Budget
Analyst*



**Colin
Keeler**

*Financial
Systems
Director*



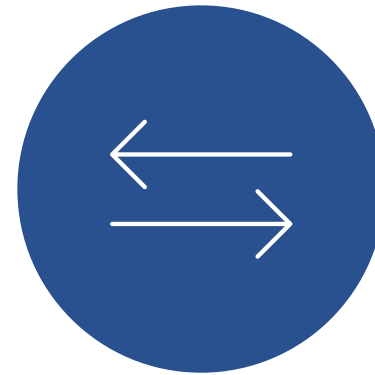
Agenda



**ECONOMIC
OUTLOOK**



REVENUES



**FY2024
MID-YEAR
ADJUSTMENTS**



**FY2025
ONGOING
EXPENSES**

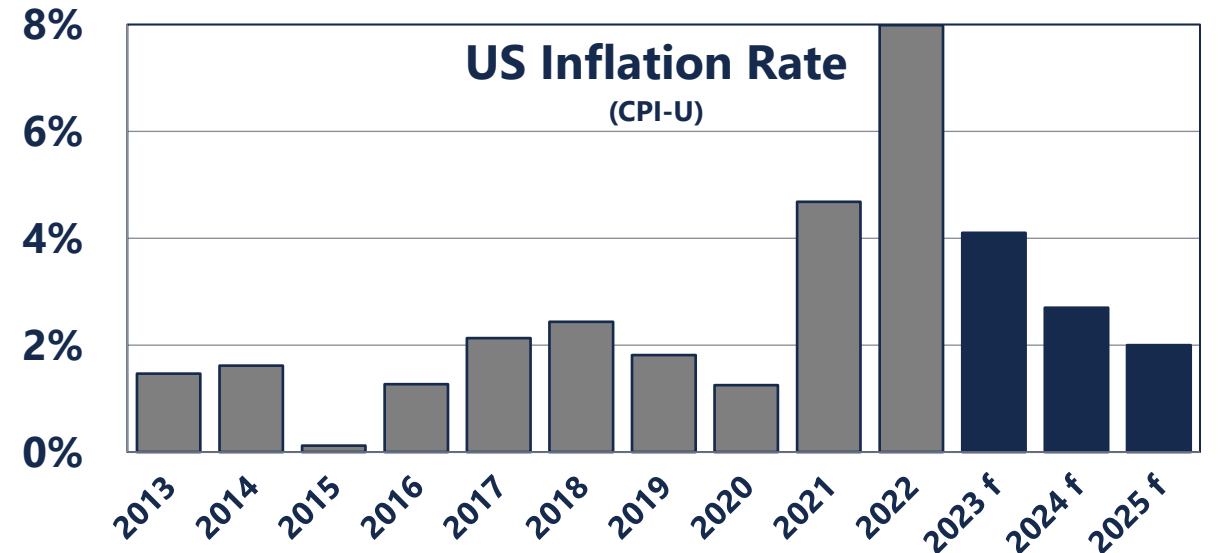
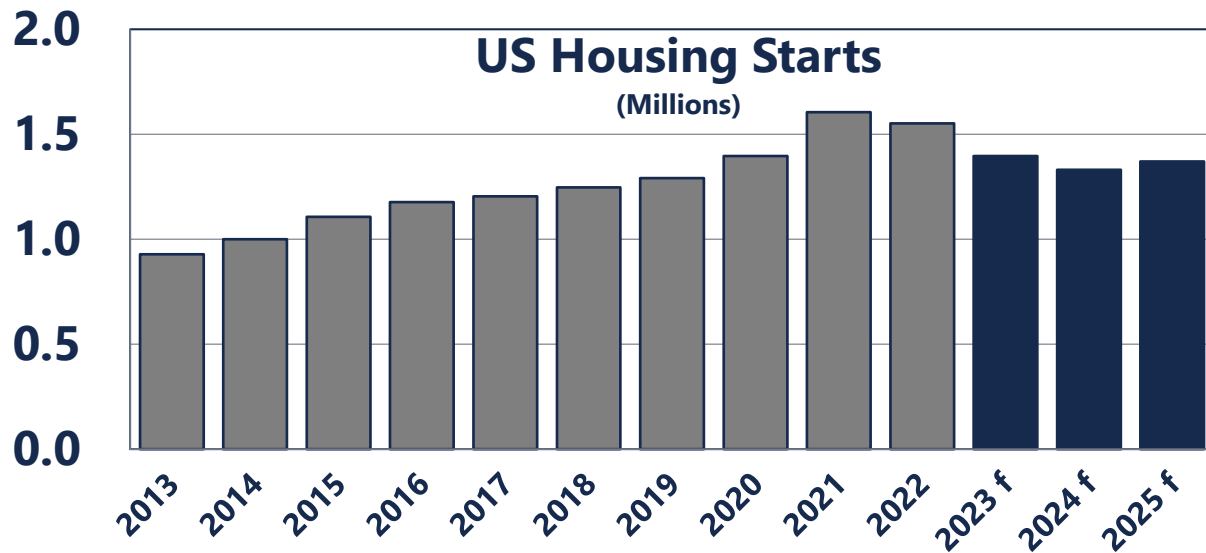
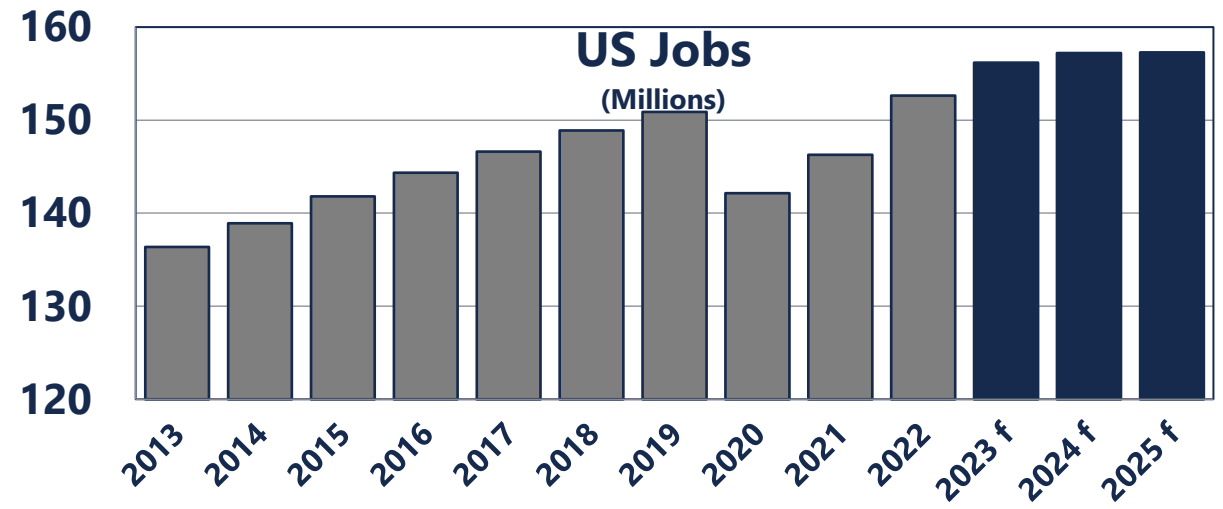
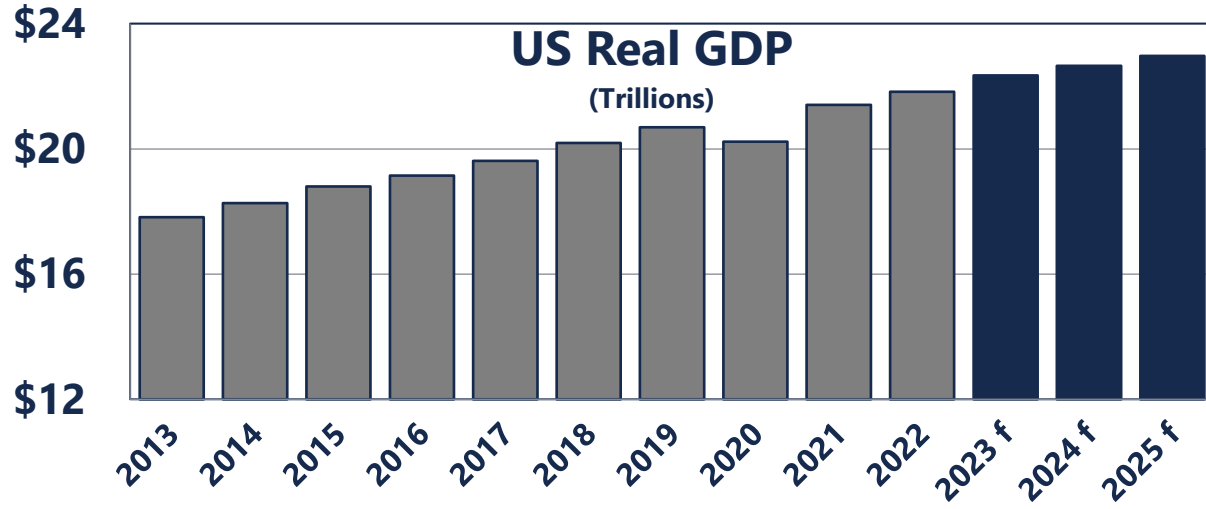
ECONOMIC OUTLOOK



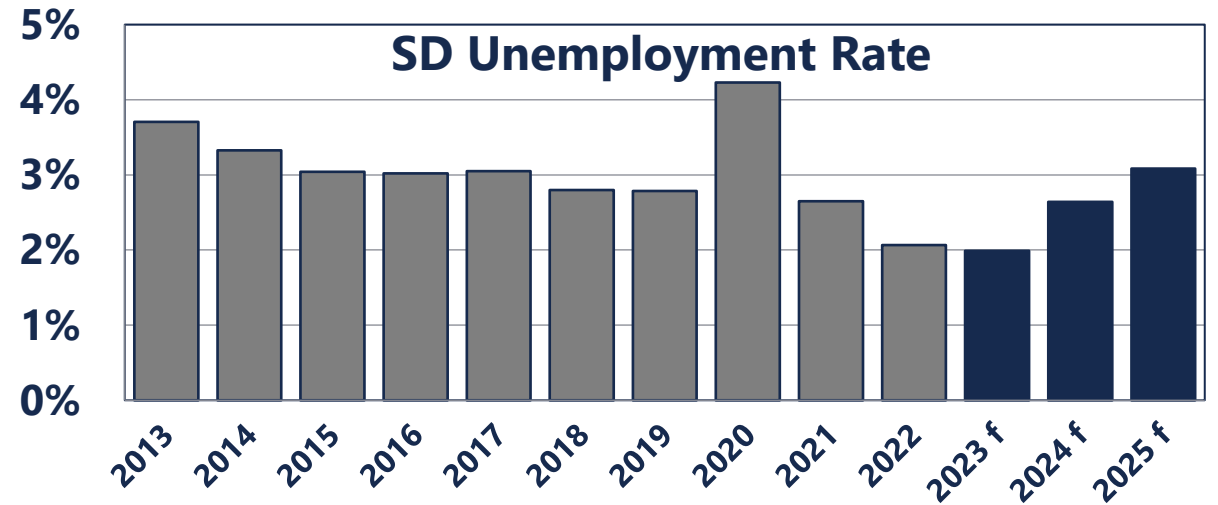
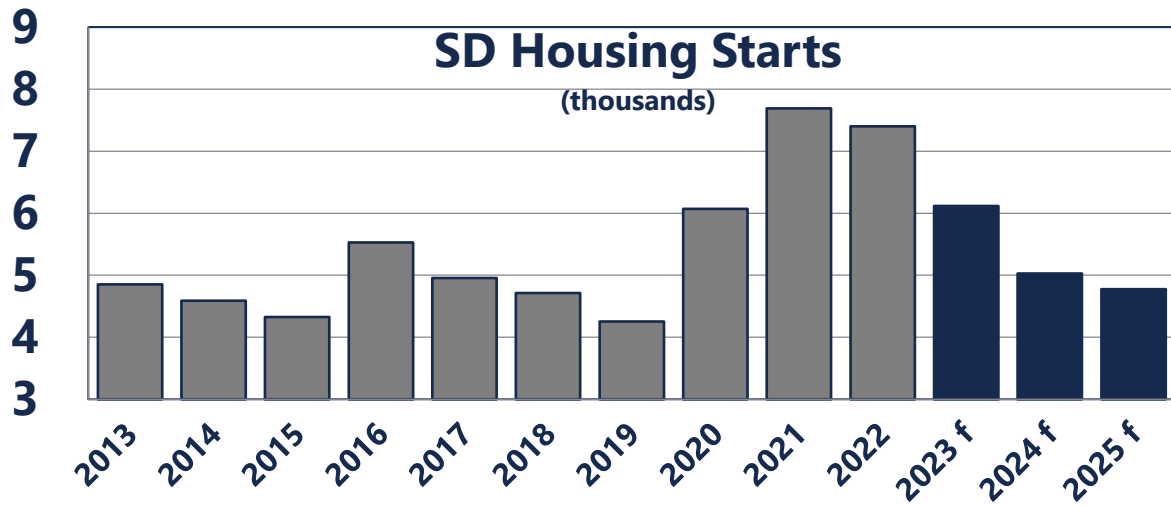
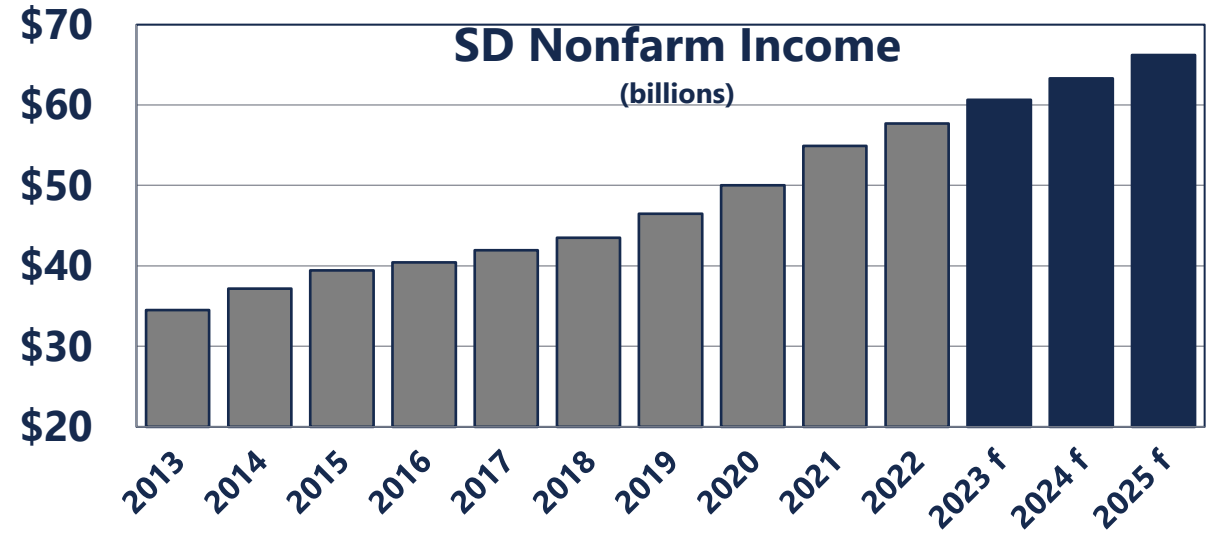
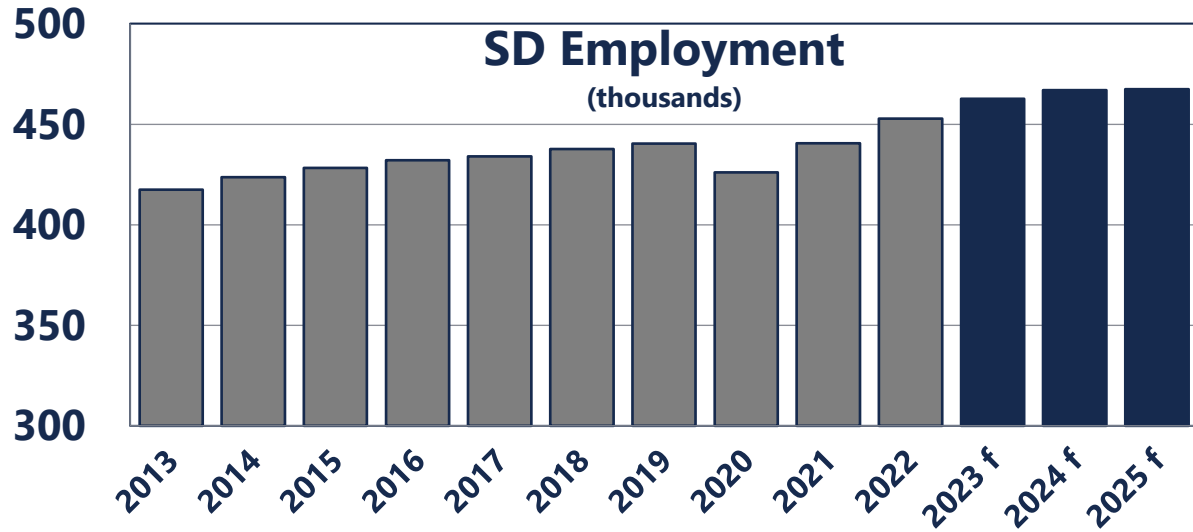
Economic Assumptions

- National baseline forecast is for slower growth
- National employment growth is projected to continue at a slower rate in 2024 and be nearly flat in 2025
- Inflation slows to 2.7% in 2024 and 2.0% in 2025
- Pandemic relief payments shrink to near zero in 2023
- Real consumer spending is expected to slow but remain positive in 2024 and 2025

S&P Global US Economy Forecast



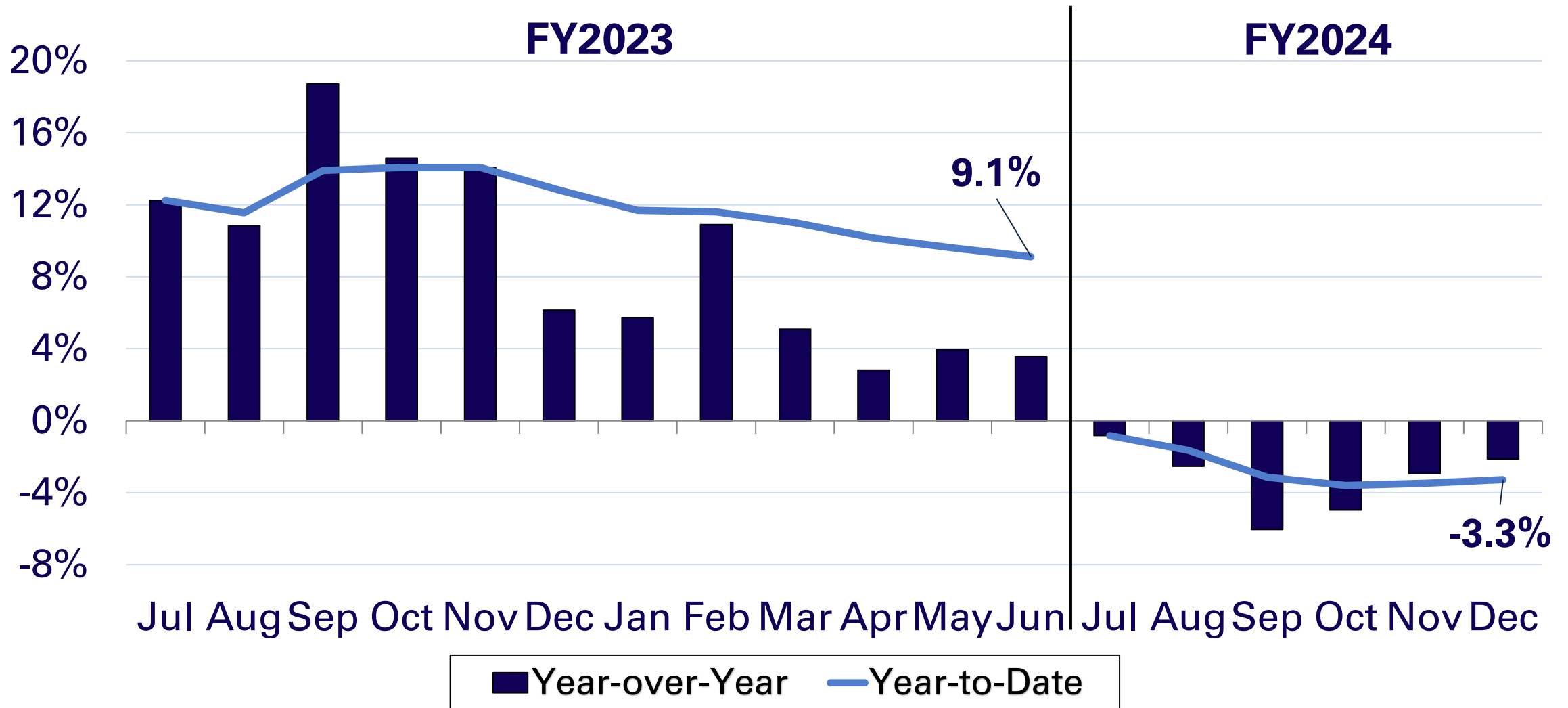
SD Economy Forecast



REVENUES

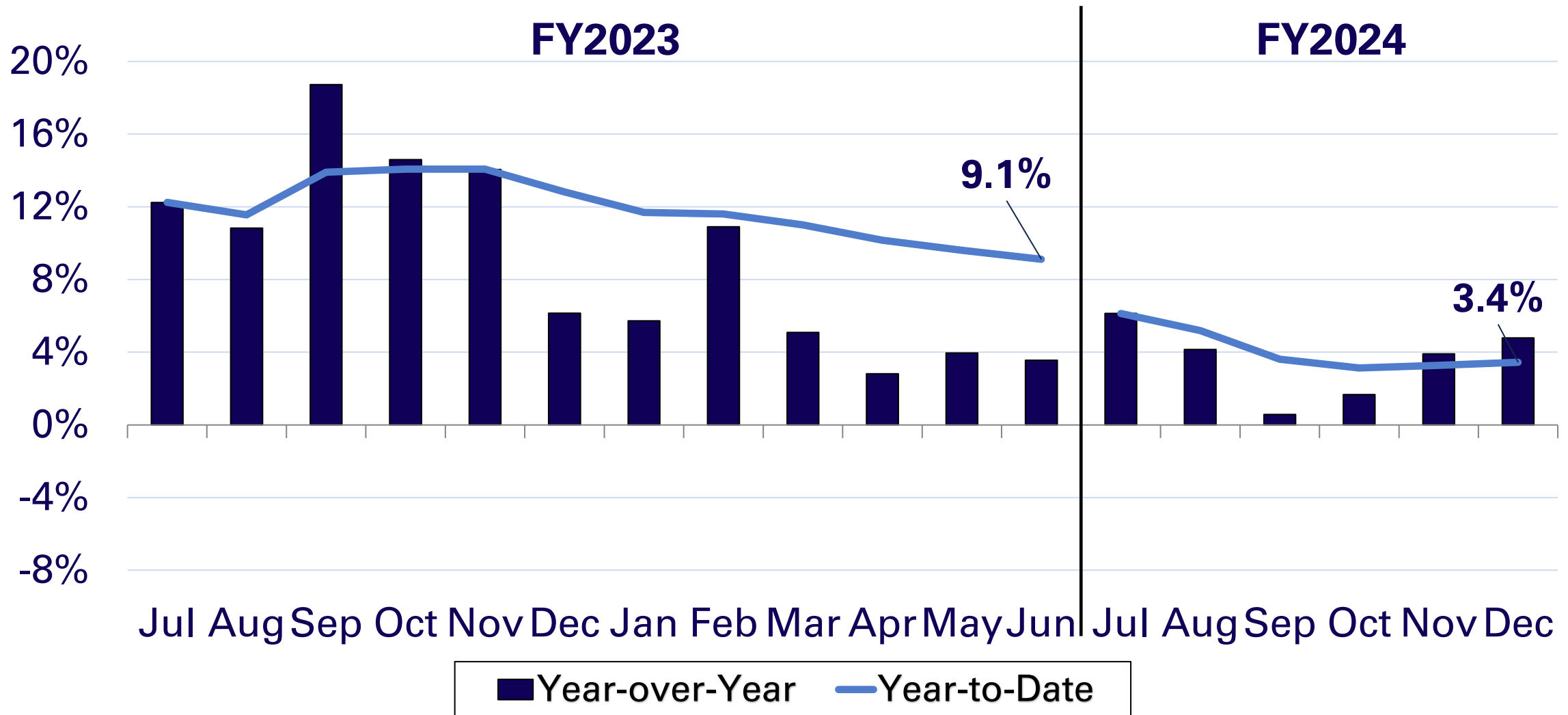


Ongoing State Sales and Use Tax

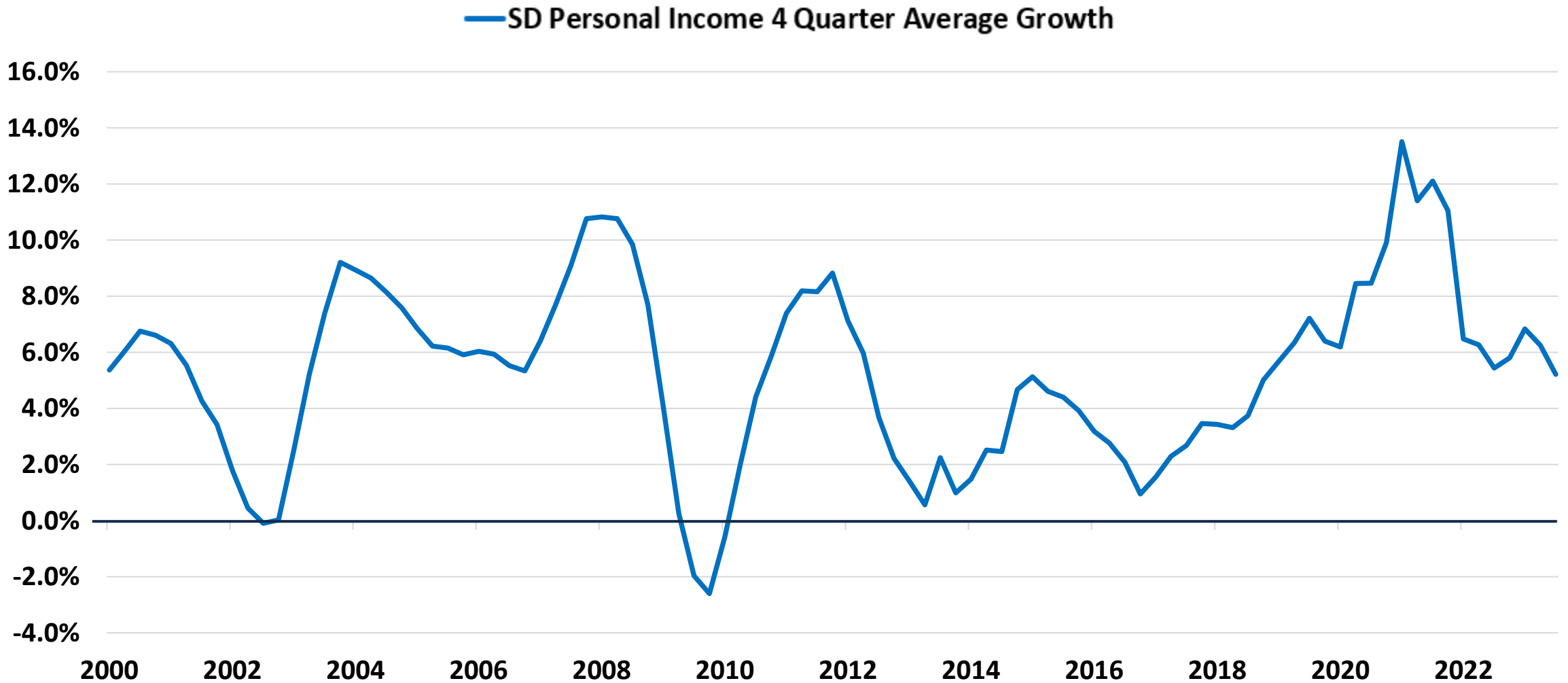


Ongoing State Sales and Use Tax

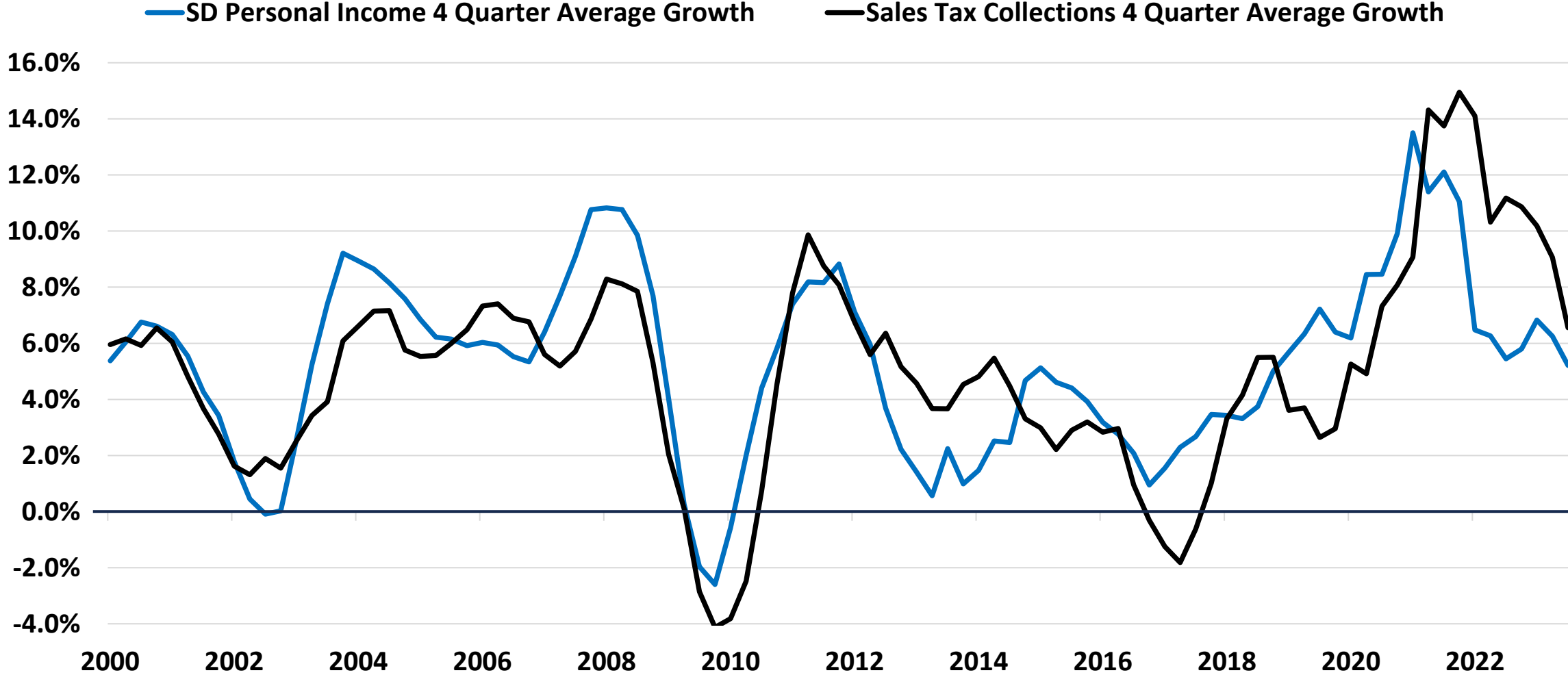
(Rate Adjusted)



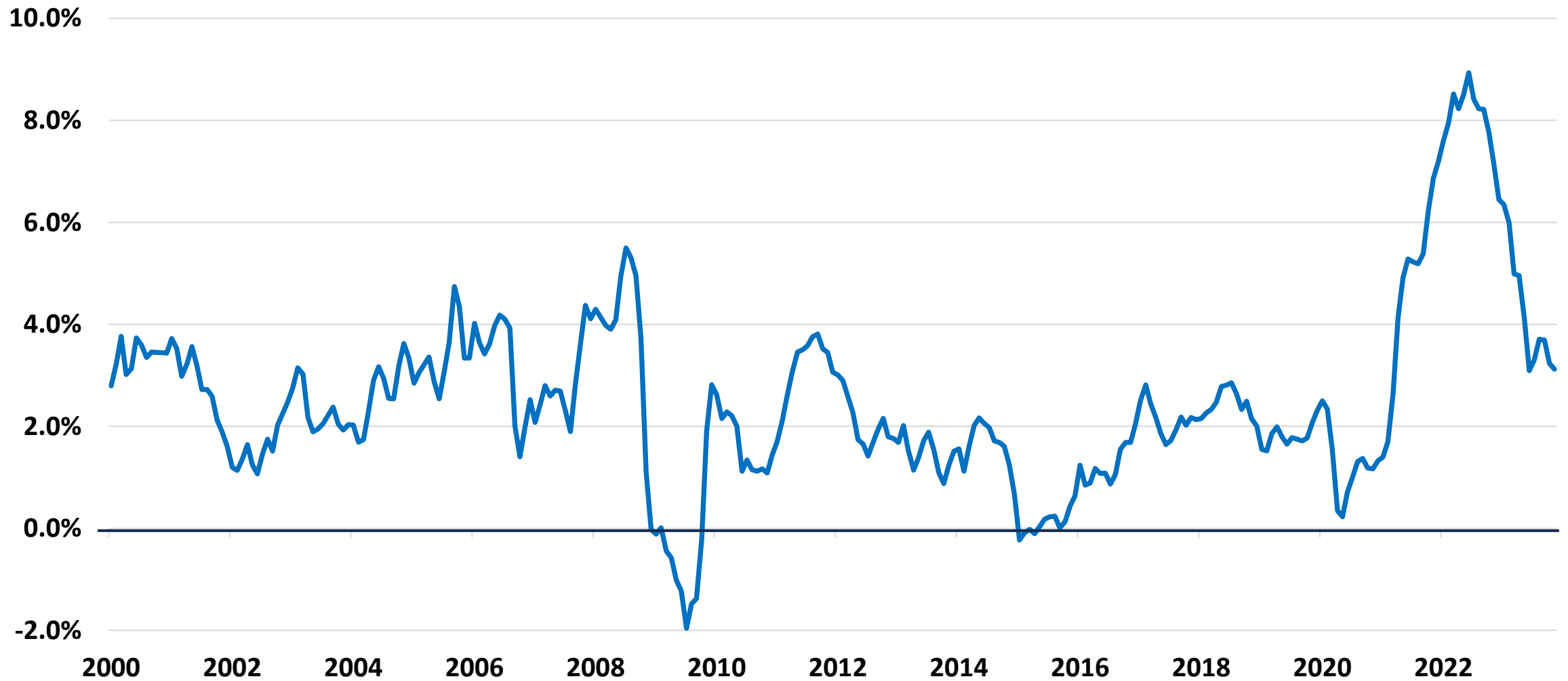
SD Personal Income



SD Personal Income vs. Sales Tax Collections



Inflation: Consumer Price Index



FY2024 Adopted vs. Revised Revenue

Revenue Source	Adopted FY2024	Revised FY2024	Change
Sales and Use Tax	1,457.8	1,435.2	(22.6)
Lottery	185.8	177.8	(8.0)
Contractor's Excise Tax	195.0	208.0	13.0
Insurance Company Tax	114.4	120.4	6.0
Unclaimed Property	57.2	106.9	49.7
Licenses, Permits, and Fees	76.9	75.7	(1.2)
Tobacco Taxes	46.6	44.3	(2.2)
Other Ongoing Receipts	150.7	176.9	26.2
Other One-Time Receipts	<u>0.0</u>	<u>17.9</u>	<u>17.9</u>
Total FY2023 Revenue	\$2,284.2	\$2,363.0	\$78.8

Amounts shown are in millions.

One-Time Revenue Available

	FY2024
Revised Ongoing Revenue Growth	60.9
One-Time Revenue Growth	17.9
Revenue Left on Bottom Line (FY2024)	<u>0.6</u>
Total One-Time Revenue Available	\$79.4

Amounts shown are in millions.

FY2024 & FY2025 Revenue Forecast

Revenue Source	Adopted FY2024	Revised FY2024	Recommended FY2025	Revised FY2024 vs. Rec. FY2025
Sales and Use Tax	1,457.8	1,435.2	1,494.6	59.5
Lottery	185.8	177.8	180.0	2.1
Contractor's Excise Tax	195.0	208.0	212.0	4.0
Insurance Company Tax	114.4	120.4	126.5	6.1
Unclaimed Property	57.2	106.9	60.1	(46.8)
Licenses, Permits, and Fees	76.9	75.7	77.8	2.0
Tobacco Taxes	46.6	44.3	43.2	(1.1)
Other Ongoing Receipts	<u>150.7</u>	<u>176.9</u>	<u>205.0</u>	<u>28.1</u>
Total Revenue	\$2,284.2	\$2,345.1	\$2,399.2	\$54.1

Amounts shown are in millions.

Ongoing Revenue Available

	FY2025
FY2024 Revised Ongoing Revenue Growth	60.9
Projected Ongoing Revenue Growth (FY2025)	54.1
Ongoing Revenue Left on Bottom Line (FY2024)	<u>0.6</u>
Total Ongoing Revenue Available	\$115.6

Amounts shown are in millions.

FY2024 MID-YEAR ADJUSTMENTS



FY2024 Mid-Year Adjustments Summary

	General Funds
Revenue Available	79,378,612
General Bill Amendment Reductions	128,324,735
General Bill Amendment Increases	(17,108,623)
Expenditure Transfers	(160,360,491)
Emergency Special Appropriations	(29,833,383)
Continuous Appropriation Adjustment	<u>(400,850)</u>
FY2024 Bottom Line	\$0

FY2024 General Bill Amendments

FY2024 GENERAL BILL AMENDMENTS	FTE	GENERAL FUNDS	FEDERAL FUNDS	OTHER FUNDS	TOTAL FUNDS
Technical Colleges Equipment		\$ 4,818,836			\$ 4,818,836
Hughes County Jail Contract		\$ 4,521,240			\$ 4,521,240
Bureau Billings		\$ 2,121,992	\$ 1,989,002	\$ 5,857,923	\$ 9,968,917
Food Services		\$ 1,777,457			\$ 1,777,457
Coronavirus Relief Funds (CRF) Health Insurance Adjustment		\$ 1,004,235	\$ (1,133,332)	\$ 36,197	\$ (92,900)
State Veterans' Home Contract Medical Staff		\$ 847,420		\$ (847,420)	\$ -
Technical Colleges Formula		\$ 777,739			\$ 777,739
Juvenile Community Corrections Placements		\$ 582,666	\$ (342,064)		\$ 240,602
Digital Investigations		\$ 275,000			\$ 275,000
Bureau of Information and Telecommunications Critical System Support		\$ 210,000	\$ 5,573,063	\$ 375,442	\$ 6,158,505
Department of Labor and Regulation Rent		\$ 109,470			\$ 109,470
Health Protection Inspections		\$ 55,131			\$ 55,131
County and Tribal Veterans' Service Officer Salary Support		\$ 7,437			\$ 7,437
Legislator Salaries		\$ (151,802)			\$ (151,802)
Various Statewide Utilities		\$ (516,213)	\$ (280,175)	\$ (1,812)	\$ (798,200)
Correctional Healthcare Reduction (SFRF)		\$ (10,000,000)	\$ 10,000,000		\$ -
Enhanced FMAP - COVID-19 PHE Unwinding		\$ (13,544,785)	\$ 13,359,614	\$ (106,205)	\$ (291,376)
State Aid to General Education Revision		\$ (15,223,350)			\$ (15,223,350)
Department of Human Services Utilization		\$ (19,109,570)	\$ (31,196,591)		\$ (50,306,161)
Change in Medicaid and CHIP Eligibles		\$ (20,844,290)	\$ (30,503,083)		\$ (51,347,373)
Change in Medicaid Expansion Utilization		\$ (48,934,725)	\$ (337,812,528)		\$ (386,747,253)
COVID-19 Federal Grant Expenditure Authority			\$ 104,247,232		\$ 104,247,232
Board of Regents Expenditure Authority Adjustment	8.0		\$ 10,000,000	\$ 3,010,769	\$ 13,010,769
Department of Education Federal Fund Expenditure Authority			\$ 4,518,492		\$ 4,518,492
Attorney General Federal Fund Expenditure Authority			\$ 1,005,332		\$ 1,005,332
Department of Labor and Regulation Quest Dislocated Worker Grant	2.0		\$ 718,906		\$ 718,906
Department of Labor and Regulation Reduction in Federally Funded FTE	(19.0)		\$ (1,829,717)		\$ (1,829,717)
Broadband Program Expenditure Authority Adjustment			\$ (18,952,000)		\$ (18,952,000)
Risk Management Claims and Premiums				\$ 8,850,000	\$ 8,850,000
Department of Labor and Regulation Apprenticeship Grant	7.0			\$ 2,510,553	\$ 2,510,553
Department of Health Informational Boards				\$ 2,400,000	\$ 2,400,000
Department of Education Certification and Personal Record Form Systems				\$ 1,251,220	\$ 1,251,220
Division of Banking Operating Expenses				\$ 260,053	\$ 260,053
Highway Patrol - Computer Lease				\$ 78,032	\$ 78,032
TOTAL FY2024 GENERAL BILL AMENDMENTS	(2.0)	\$ (111,216,112)	\$ (270,637,849)	\$ 23,674,752	\$ (358,179,209)

More detail can be found on page 17 of the Governor's FY2025 Budget Book.

FY2024 Decreased Program Utilization

- Decrease of \$104,111,935 in general funds
 - DSS Medicaid Expansion - \$48,934,725
 - DSS Medicaid - \$20,844,290
 - DHS Programs - \$19,109,570
 - State Aid to General Education - \$15,223,350
- Medicaid usage and programs seeing fewer clients than anticipated
- State Aid change due to fewer students and higher property valuations

Public Health Emergency Enhanced FMAP

- Reduction of \$13,544,785 in general funds
- FMAP: Federal Medical Assistance Percentage
- Federal legislation provided a phased-down approach to the enhanced FMAP received because of the COVID-19 Public Health Emergency
 - July – September: 2.5% enhancement
 - October – December: 1.5% enhancement
- Departments impacted: Social Services, Human Services, Corrections, Veterans' Affairs, Health, and Education

Technical Colleges Equipment

- \$4,818,836 in general funds
- Funds will be used to purchase priority equipment for each technical college
- Investments will ensure programs meet industry expectations, provide safety and security, and grow capacity in high-demand areas
- Technical Colleges partnering with State
 - 67% State
 - 33% Technical Colleges

Hughes County Jail Contract

- \$4,521,240 in general funds
 - \$2,644,800 in general funds to extend the contract two more years
 - \$1,876,440 in general funds to expand the contract to house an additional 24 offenders
- Population of the Women's Prison in Pierre is growing and overcrowding continues to be an issue



FY2024 Special Appropriations

FY2024 EMERGENCY SPECIAL APPROPRIATIONS	FTE	GENERAL FUNDS	FEDERAL FUNDS	OTHER FUNDS	TOTAL FUNDS
Richmond Dam Replacement		\$ 9,650,200	\$ 10,649,800		\$ 20,300,000
Center for Quantum Information Science & Technology		\$ 6,034,444			\$ 6,034,444
K-12 Professional Development and Literacy		\$ 6,000,000			\$ 6,000,000
Emergency and Disaster Fund		\$ 2,776,341			\$ 2,776,341
Fire Suppression Fund		\$ 2,250,931			\$ 2,250,931
Lake Alvin and Newell Lake Spillway Replacement		\$ 1,995,604			\$ 1,995,604
Rural Recruitment Assistance Programs		\$ 700,863			\$ 700,863
Tax Refunds for the Elderly and Disabled		\$ 425,000			\$ 425,000
Environmental Funding Projects - Local			\$ 95,384,221		\$ 95,384,221
Environmental Funding Projects - Local Contingency			\$ 28,000,000		\$ 28,000,000
Environmental Funding Projects - State			\$ 12,826,696		\$ 12,826,696
Male Prison Facility			\$ 10,000,000		\$ 10,000,000
Female Prison Facility			\$ 2,420,154	\$ 20,892,179	\$ 23,312,333
Governor's Omnibus Water Funding Bill			\$ 500,000	\$ 19,300,000	\$ 19,800,000
TOTAL FY2024 EMERGENCY SPECIAL APPROPRIATIONS	0.0	\$ 29,833,383	\$ 159,780,871	\$ 40,192,179	\$ 229,806,433

More detail can be found on page 16 of the Governor's FY2025 Budget Book.

Statewide Dam Repair

Richmond Dam

- \$9,650,200 in general funds to replace the spillway and embankment
- Anticipate \$10,649,800 in FEMA funding

Lake Alvin and Newell Lake

- \$1,995,604 in general funds needed to complete the spillway replacement
- Anticipate \$1,200,000 in FEMA funding

Center for Quantum Information Science & Technology

- \$6,034,444 in general funds
- Partnership between DSU, SDSMT, SDSU, and USD
- Funding provides for initial start-up costs and will be used to:
 - ✓ Purchase access to cloud quantum computing resources
 - ✓ Support faculty and graduate students
 - ✓ Hold an annual research symposium

K-12 Professional Development and Literacy



\$6,000,000 in general funds



Provide support to South Dakota schools for an evidence-based literacy framework



Helps students become college, career, and life ready

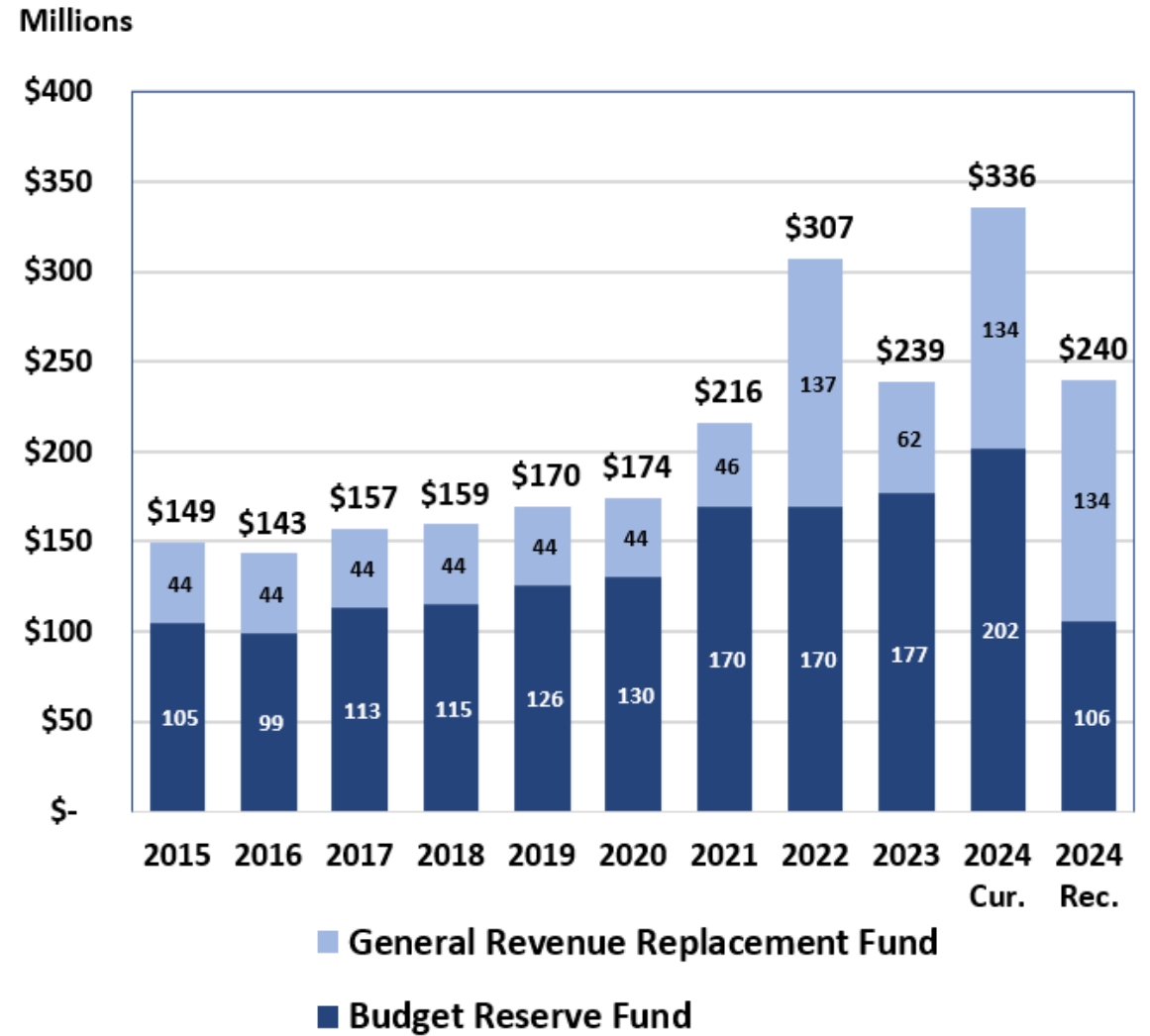
Investing in Modern Correctional Facilities

Women's Prison	Millions
Current Appropriations	63.8
Updated Cost Based on Design	95.5
Project Scope Reductions	<u>(8.4)</u>
Funding Need	(23.3)
Recommended FY2024 Funding:	
Federal ARPA Funds	2.4
One-Time GF Transfer to ICF	<u>20.9</u>
Remaining Need	\$0.0

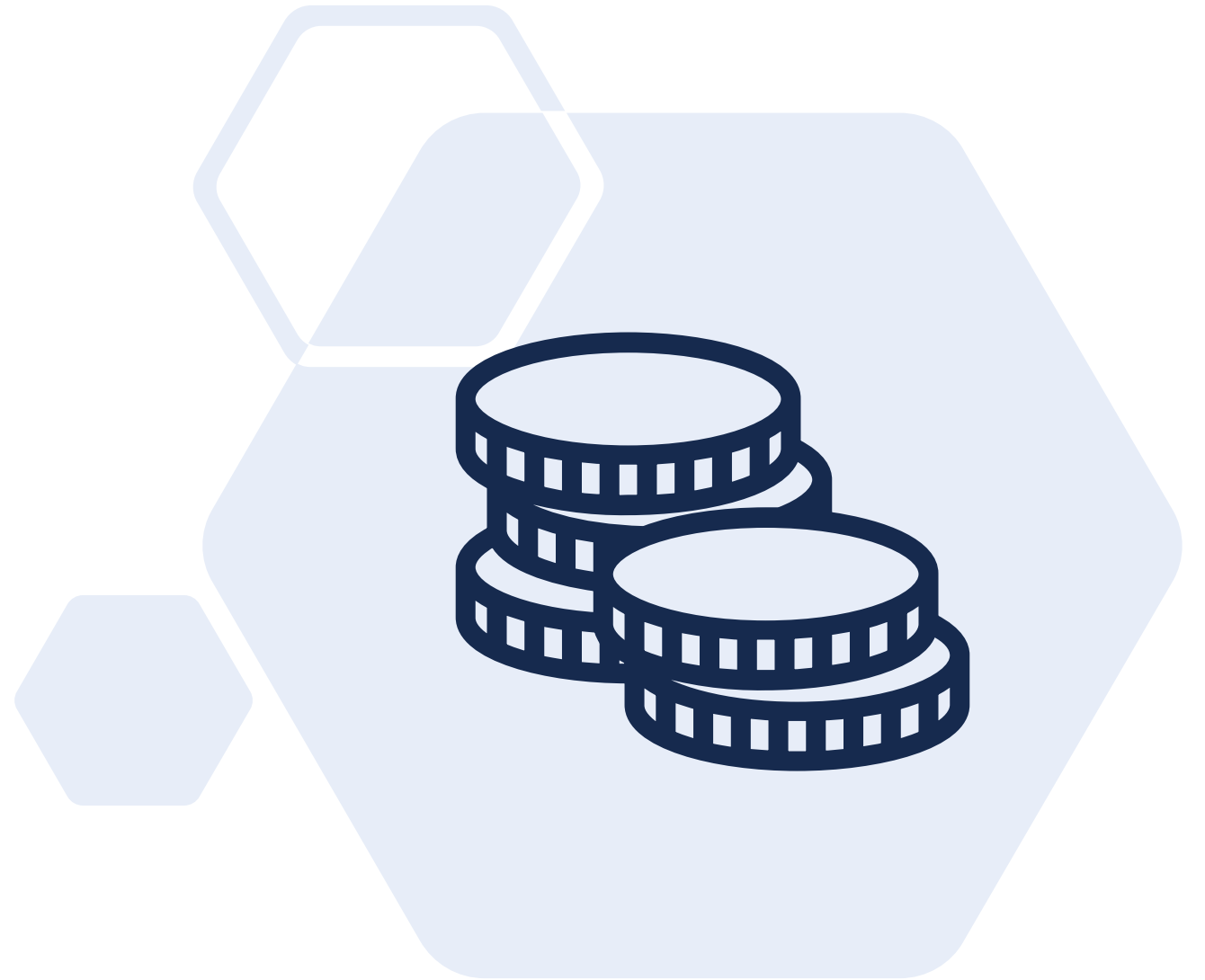
Men's Prison	Millions
Current Appropriations	330.9
Most Recent <u>Estimate</u>	706.8
Estimated Funding Need	(375.9)
Recommended FY2024 Funding:	
Federal ARPA Funds	10.0
Reserve Transfer to ICF	95.7
One-Time GF Transfer to ICF	<u>132.5</u>
Estimated Remaining Need	(\$137.7)

Amounts shown are in millions.

Rainy Day Fund Balance



FY2025 ONGOING EXPENSES



Ongoing Revenue Available

	FY2025
FY2024 Revised Ongoing Revenue Growth	60.9
Projected Ongoing Revenue Growth (FY2025)	54.1
Ongoing Revenue Left on Bottom Line (FY2024)	<u>0.6</u>
Total Ongoing Revenue Available	\$115.6

Amounts shown are in millions.

Ongoing Expense Overview

- 4.0% increase to education; 1.0% greater than law requires
- 4.0% increase for medical provider reimbursement rates; 1.4% greater than CPI inflationary index rate of 2.6%
- 4.0% increase for technical colleges per student allocation
- 4.0% increase for state employee salaries
- \$18.3 million towards Medicaid expansion buy-down

FY2025 Recommended Expense Summary

	General Funds
4% Inflation for Education, Providers, and State Employees	93,048,432
Mandatory Changes	(6,996,952)
Discretionary Changes	10,338,022
5% FMAP - Medicaid Expansion Buy-Down	18,341,970
Continuous Appropriation	<u>826,848</u>
Total Recommended Expense Summary	\$115,558,320

4% Inflationary Increase

	General Funds
Education	46,468,522
Healthcare Providers	25,959,485
State Employees	<u>20,620,425</u>
Total 4% Inflationary Increase	\$93,048,432

Mandatory Changes

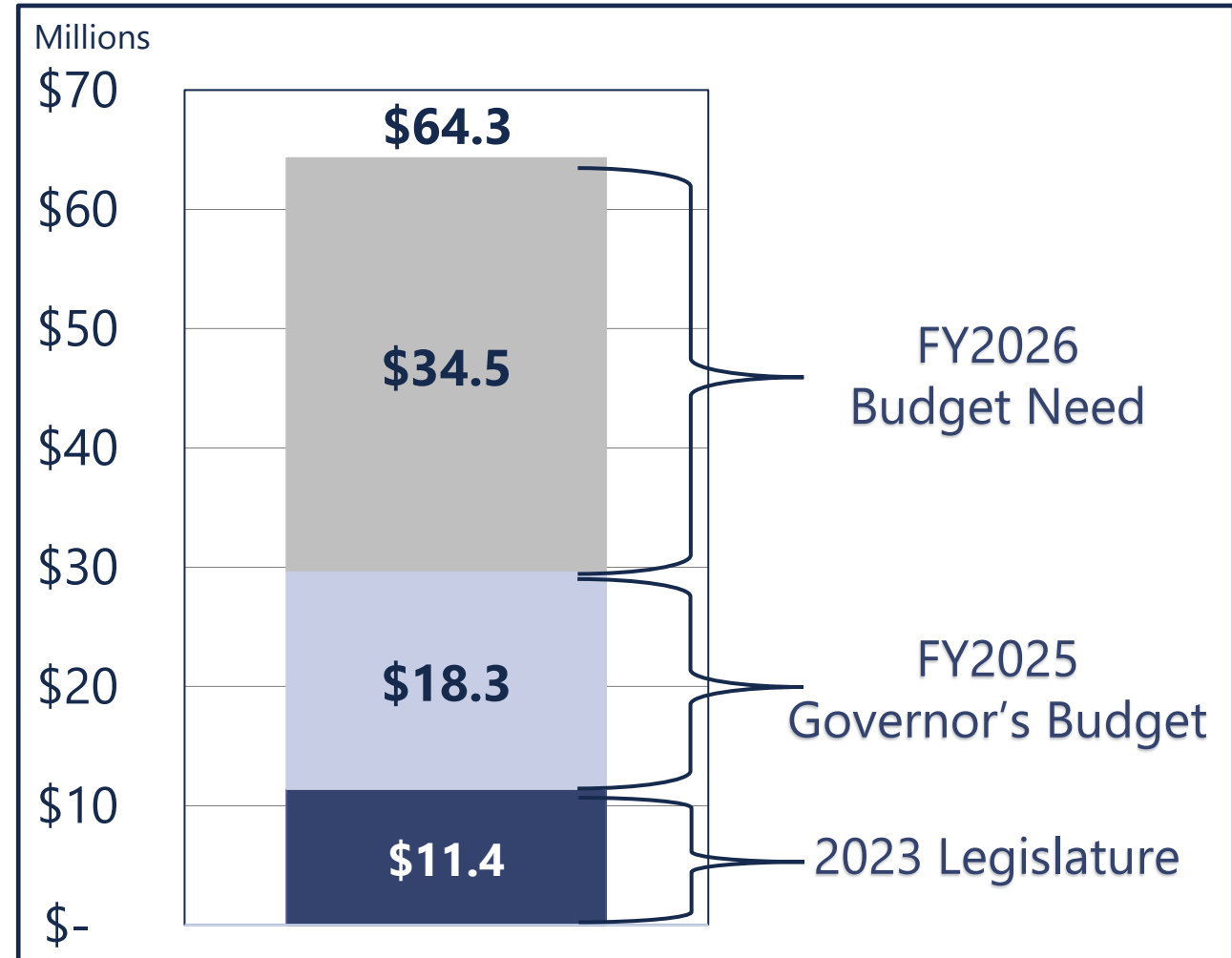
	General Funds
Federal Medical Assistance Percentage (FMAP) (Various)	25,122,837
Mandatory Inflation (DSS)	10,468,173
Food Service (DOC/DSS/DHS)	2,567,637
Offender Healthcare & Juvenile Community Placements (DOC)	1,792,229
Bureau Billings (BIT)	1,783,198
Health Insurance (BHR)	1,392,124
All Other Changes (Various)	1,305,957
State Aid to K-12 Utilization (DOE)	(20,362,746)
Medicaid Eligibles (DSS)	(31,066,361)
Total Mandatory Changes	(\$6,996,952)

Discretionary Changes

	General Funds
Maintenance and Repair (Various)	3,868,435
Office of Indigent Legal Defense (UJS)	1,412,831
Subsidized Adoptions and Guardianships (DSS)	1,147,559
Family Treatment Foster Homes (DSS)	752,338
Dual Credit (DOE)	543,128
Adjustment to Lodging and Mileage Rates (Various)	438,808
All Other Changes (Various)	<u>2,174,923</u>
Total Discretionary Changes	\$10,338,022

5% FMAP – Medicaid Expansion Buy-Down

- As a result of Medicaid Expansion, the State is receiving a 5% enhancement on the FMAP rate for the existing Medicaid population until FY2026
- The Governor's Budget Recommendation sets aside additional resources to plan ahead and buy-down the cost for when the 5% enhancement ends



Bottom Line

	FY2024	FY2025
Revenue Available	79.4	115.6
Mid-Year Expense Reductions	128.3	0
Mid-Year Expense Increases and Transfers	(177.5)	0
Emergency Special Appropriations	(29.8)	0
Ongoing Expense Adjustments	0	(114.7)
Continuous Appropriation Adjustment	<u>(0.4)</u>	<u>(0.8)</u>
Bottom Line	\$0	\$0

Amounts shown are in millions.



FY2025 BUDGET OVERVIEW

BUREAU OF FINANCE AND MANAGEMENT

JANUARY 9, 2024