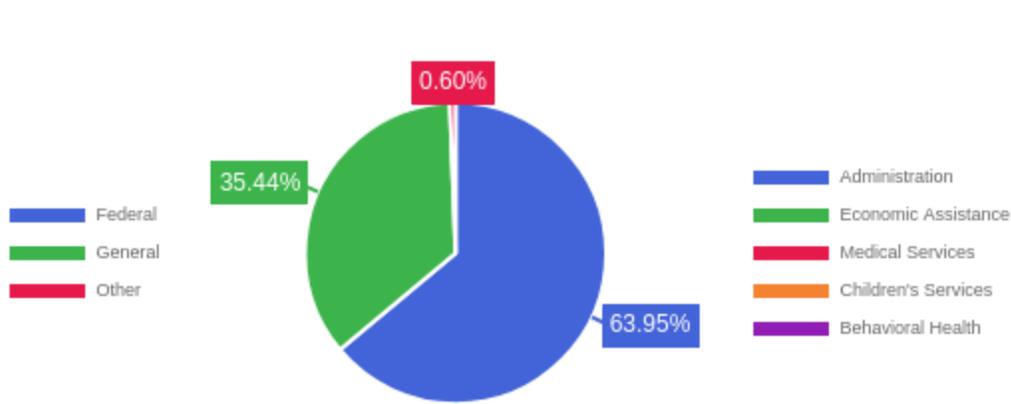


# Department of Social Services

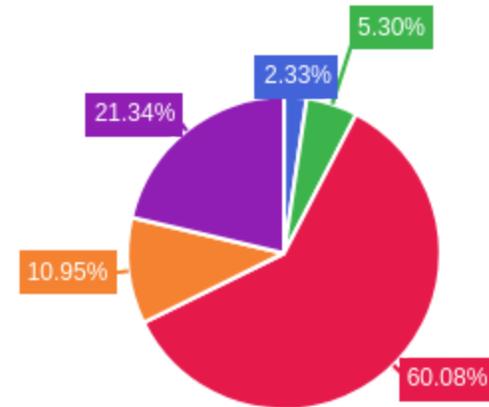
## Fiscal Year 2026 Budget Brief Summary

Information contained in this document is based on the Governor's FY2026 Budget and may not correspond with the final budget adopted by the Legislature.

### Source of Funds



### Distribution of General Funds



### Key Personnel

- Matt Althoff, Cabinet Secretary
- Jason Simmons, Chief Financial Officer
- Emily Richardt, Communications and Administrative Services Administrator
- Heather Petermann, Division Director Medical Services
- Melanie Boetel, Division Director Behavioral Health
- Carrie Johnson, Division Director Economic Assistance
- Max Wetz, Division Director Child Support Services
- Brenda Tidball-Zeltinger, Deputy Secretary
- Jeremy Lippert, Division Director Legal Services
- Alex Mayer, Chief of Children and Family Services
- Vacant, Chief of Behavioral Health
- Jeremy Johnson, Administrator of Human Services Center
- Pamela Bennett, Division Director Child Protection Services

## Mission of the Department of Social Services

The Department of Social Services (DSS) strives to strengthen and support individuals and families by promoting cost effective and comprehensive services while connecting with partners to foster health, wellbeing, and independence.

## Department of Social Services Budget Units

- Administration (081)
- Economic Assistance (082)
- Medical Services (083)
- Children's Services (084)
- Behavioral Health (085)
- Board of Counselor Examiners - Info (0891)
- Board of Psychology Examiners- Info (0892)
- Board of Social Work Examiners - Info (0893)
- Board of Addiction & Prevent Prof - Info (0894)

## Major Items Summary - Department of Social Services

	Agency Request					Governor's Recommendation				
	General	Federal	Other	Total	FTE	General	Federal	Other	Total	FTE
<b>FY 2026 Base Budget</b>	<b>\$650,783,601</b>	<b>\$1,209,548,378</b>	<b>\$11,151,017</b>	<b>\$1,871,482,996</b>	<b>1,569.5</b>	<b>\$650,783,601</b>	<b>\$1,209,548,378</b>	<b>\$11,151,017</b>	<b>\$1,871,482,996</b>	<b>1,569.5</b>
1. 5% FMAP Savings Buy Down	(\$31,668,300)	\$0	\$0	(\$31,668,300)	0.0	(\$31,668,300)	\$0	\$0	(\$31,668,300)	0.0
2. 988 Hotline Fund Swap	\$0	\$0	\$0	\$0	0.0	(\$412,432)	\$412,432	\$0	\$0	0.0
3. Adoption Home Studies	\$0	\$0	\$0	\$0	0.0	(\$311,708)	\$0	\$0	(\$311,708)	0.0
4. Behavioral Health Program Assistant	\$0	\$0	\$0	\$0	0.0	(\$75,000)	\$0	\$0	(\$75,000)	(1.0)
5. Board Operations Inflation	\$0	\$0	\$2,650	\$2,650	0.0	\$0	\$0	\$2,650	\$2,650	0.0
6. Child Care Block Grant	\$0	\$8,485,298	\$0	\$8,485,298	0.0	\$0	\$8,485,298	\$0	\$8,485,298	0.0
7. Computer Replacement	\$0	\$0	\$0	\$0	0.0	(\$800,000)	\$0	\$0	(\$800,000)	0.0
8. Discretionary Provider Inflation	\$11,472,269	\$20,646,397	\$0	\$32,118,666	0.0	\$5,983,077	\$11,068,206	\$0	\$17,051,283	0.0
9. Field Office Elimination	\$0	\$0	\$0	\$0	0.0	(\$50,000)	\$0	\$0	(\$50,000)	0.0
10. FMAP Change	\$14,970,503	(\$14,970,503)	\$0	\$0	0.0	\$14,970,503	(\$14,970,503)	\$0	\$0	0.0
11. Food Contract Inflation	\$1,196,303	\$0	\$0	\$1,196,303	0.0	\$1,196,303	\$0	\$0	\$1,196,303	0.0
12. Food Service Transfer	(\$2,619,700)	\$0	\$0	(\$2,619,700)	0.0	(\$2,619,700)	\$0	\$0	(\$2,619,700)	0.0
13. Graduate Medical Education Program	\$0	\$0	\$0	\$0	0.0	(\$1,747,083)	(\$1,857,380)	\$0	(\$3,604,463)	0.0
14. Indigent Medication Program	\$0	\$0	\$0	\$0	0.0	(\$1,011,604)	\$0	\$0	(\$1,011,604)	0.0
15. Infrastructure Modernization	\$27,595,966	\$29,500,000	\$0	\$57,095,966	0.0	\$2,595,966	\$4,500,000	\$0	\$7,095,966	0.0
16. Licensing Specialist	\$298,460	\$0	\$0	\$298,460	4.0	\$0	\$0	\$0	\$0	0.0
17. Mandatory Provider Inflation	\$10,906,485	\$7,300,551	\$0	\$18,207,036	0.0	\$10,839,297	\$7,300,551	\$0	\$18,139,848	0.0
18. Medicaid Enrollment and Utilization	(\$4,500,026)	(\$13,361,023)	\$0	(\$17,861,049)	0.0	(\$4,500,026)	(\$13,361,023)	\$0	(\$17,861,049)	0.0

19. Medicaid Expansion 5% FMAP Savings	\$33,546,341	(\$33,546,341)	\$0	\$0	0.0	\$33,546,341	(\$33,546,341)	\$0	\$0	0.0
20. Medicaid Expansion Administration	\$0	\$0	\$0	\$0	0.0	(\$1,025,508)	(\$1,025,507)	\$0	(\$2,051,015)	(27.0)
21. Medicaid Expansion Enrollees and Utilization	(\$3,850,261)	\$3,725,341	\$0	(\$124,920)	0.0	(\$3,850,261)	\$3,725,341	\$0	(\$124,920)	0.0
22. Meth Prevention Marketing	\$0	\$0	\$0	\$0	0.0	(\$250,000)	\$0	\$0	(\$250,000)	0.0
23. Non-Medicaid Enrollees and Utilization	\$1,027,129	\$602,261	\$0	\$1,629,390	0.0	\$0	\$0	\$0	\$0	0.0
24. Placement Intake Coordinator	\$69,849	\$0	\$0	\$69,849	1.0	\$0	\$0	\$0	\$0	0.0
25. Property Management Transfer	(\$37,476)	(\$37,476)	\$0	(\$74,952)	(1.0)	\$0	\$0	\$0	\$0	0.0
26. Regional Facility Short Term Crisis Beds	\$1,304,631	\$3,196,579	\$0	\$4,501,210	0.0	\$1,269,246	\$3,181,414	\$0	\$4,450,660	0.0
27. Renal Disease Program	\$0	\$0	\$0	\$0	0.0	(\$30,458)	\$0	\$0	(\$30,458)	0.0
28. Sioux Falls One Stop	\$1,227,830	\$665,720	\$0	\$1,893,550	0.0	\$1,227,830	\$665,720	\$0	\$1,893,550	0.0
29. Social Service Aides	\$1,294,086	\$228,368	\$0	\$1,522,454	25.0	\$517,634	\$91,347	\$0	\$608,981	10.0
30. Strategic Prevention Framework Grant	\$0	\$1,249,977	\$0	\$1,249,977	0.0	\$0	\$1,249,977	\$0	\$1,249,977	0.0
31. TANF Grant Source Shift	\$0	\$0	\$0	\$0	0.0	(\$5,300,000)	\$5,300,000	\$0	\$0	0.0
32. Utility Cost Adjustment	\$125,542	\$0	\$0	\$125,542	0.0	\$80,196	\$0	\$0	\$80,196	0.0
33. Utilization Adjustments	\$0	\$0	\$0	\$0	0.0	(\$15,500,000)	(\$11,000,000)	\$0	(\$26,500,000)	0.0
<b>FY 2026 Total Budget</b>	<b>\$713,143,232</b>	<b>\$1,223,233,527</b>	<b>\$11,153,667</b>	<b>\$1,947,530,426</b>	<b>1,598.5</b>	<b>\$653,857,914</b>	<b>\$1,179,767,910</b>	<b>\$11,153,667</b>	<b>\$1,844,779,491</b>	<b>1,551.5</b>
Change from Base Budget	\$62,359,631	\$13,685,149	\$2,650	\$76,047,430	29.0	\$3,074,313	(\$29,780,468)	\$2,650	(\$26,703,505)	(18.0)
% Change from Base Budget	9.6%	1.1%	0.0%	4.1%	1.8%	0.5%	(2.5%)	0.0%	(1.4%)	(1.1%)

## 1. 5% FMAP Savings Buy Down

	General	Federal	Other	Total	FTE
Agency Request	(\$31,668,300)	\$0	\$0	(\$31,668,300)	0.00
Governor's Recommendation	(\$31,668,300)	\$0	\$0	(\$31,668,300)	0.00

The agency requests a decrease of **(\$31,668,300)** in **general funds** for 5% FMAP savings buy down.

*The governor recommends this request.*

As part of the American Rescue Plan Act (ARPA) of 2021 § 9814, states that expanded Medicaid after the passage of ARPA could receive an additional 5% FMAP bonus for two years after the state adopted Medicaid Expansion.

When Medicaid Expansion was adopted in 2022, the state received a 5% FMAP bonus for all programs that uses FMAP excluding Medicaid Expansion. This bonus be included in the FY2024 and the FY2025 budgets, and end in FY2026. In preparation for the end of the 5% FMAP bonus, the legislature appropriated \$11,400,000 in general funds in the FY2024 budget, and \$20,268,300 in general funds in the FY2025 budget. This budget request would apply to the FMAP bonus, decreasing the amount of general funds needed to pay for the end of the 5% FMAP bonus.

In the DSS budget, the net amount of general funds needed for the end of the FMAP bonus is \$1,878,041.

## 2. 988 Hotline Fund Swap

	General	Federal	Other	Total	FTE
Agency Request	\$0	\$0	\$0	\$0	0.00
Governor's Recommendation	(\$412,432)	\$412,432	\$0	\$0	0.00

*The governor recommends a decrease of **(\$412,432)** in **general funds** and an increase of **\$412,432** in **federal funds**.*

The 988 Hotline is a number people can call to receive help for mental health issues that have not risen to an emergency. This service is provided by the state of South Dakota and paid for by general funds and federal funds.

The administrative cost of the 988 Hotline can be split at 50% federal and general funds as described in 42 CFR 433.15(b)(7). DSS had to apply to the Department of Health and Human Services to utilize the full 50% split. In the mean time, DSS used general funds to help cover the administration cost. DSS has gotten permission from the Department of Health and Human Services to use Medicaid dollars at 50% to cover the administration cost.

This request would represent the shift from using general funds to Medicaid funds for administrative purposes.

**3. Adoption Home Studies**

	<b>General</b>	<b>Federal</b>	<b>Other</b>	<b>Total</b>	<b>FTE</b>
Agency Request	\$0	\$0	\$0	\$0	0.00
<i>Governor's Recommendation</i>	<i>(\$311,708)</i>	<i>\$0</i>	<i>\$0</i>	<i>(\$311,708)</i>	<i>0.00</i>

*The governor recommends a decrease of **(\$311,708)** in **general funds**.*

A home study is an assessment of a potential family for the suitability of taking in a child as an adoption. This includes interviewing the parents, examining the home environment, doing a background and fingerprint check, and other checks to ensure the parents are capable of caring for the adopted child.

SDCL 25-6-9.1 requires all adoptions to have a home study before an adoption is completed. As part of SDCL 25-6-9.1, DSS is responsible for paying for all home studies, including private adoptions and adoption of children within the DSS system. This was included as part of 2022 HB 1133, and an appropriation was included as part of the FY2023 budget.

2025 HB 1005 would remove the requirement for DSS to pay for private home studies, and the request would reverse the appropriation made in 2022. This would be for home studies of private adoptions only, on average, 44 families per year were private adoptions that DSS paid for due to 2022 HB 1133. The payment for private home studies would be paid for by the families looking to adopt children through private services. Home studies for adoption of children within the DSS system would still be paid for by DSS.

**4. Behavioral Health Program Assistant**

	<b>General</b>	<b>Federal</b>	<b>Other</b>	<b>Total</b>	<b>FTE</b>
Agency Request	\$0	\$0	\$0	\$0	0.00
<i>Governor's Recommendation</i>	<i>(\$75,000)</i>	<i>\$0</i>	<i>\$0</i>	<i>(\$75,000)</i>	<i>(1.00)</i>

*The governor recommends a decrease of **(\$75,000)** in **general funds** and a decrease of **(1.0)** FTE.*

The division of Behavioral Health is expecting a reduction of workload in FY2026. This is due to the winding down of pandemic dollars and the end of the indigent medication program.

Due to the reduced workload, the governor is recommending to eliminate a Program Assistant position. The Program Assistant was an administration position to help manage the funding and organization of the programs within the division of Behavioral Health. The responsibilities the Program Assistant handled will be split among the other program assistants within the division.

**5. Board Operations Inflation**

	<b>General</b>	<b>Federal</b>	<b>Other</b>	<b>Total</b>	<b>FTE</b>
Agency Request	\$0	\$0	\$2,650	\$2,650	0.00
<i>Governor's Recommendation</i>	\$0	\$0	\$2,650	\$2,650	0.00

The agency requests an increase of **\$2,650** in **other fund** expenditure authority for inflation of Board of Social Workers operations.

*The governor recommends this request.*

The Board of Social Workers is one of the informational boards under the budget of the Department of Social Services. The Board of Social Workers is responsible for the licensing and oversight of social workers in South Dakota. The board is the governing body that executes the rules for social workers as found in ARSD 20:59. The board also charges fees for issuing licenses, renewing licenses, and performing examinations for licensing. These fees can be found in 20:59:01:10. These fees are to be used to pay for the expenses of administrating the licenses and the operations of the board.

The fees received by the Board of Social Workers goes into the Board of Social Work Examiners fund, and all expenses for the board come out of the same fund. The amount of funds the board can use is limited by the appropriation by the legislature.

The request increases the amount of funds that the board can use for administration of licenses. These expenses are specifically contractual, IT, and central services. This is a regular increase that grows consistently with inflation.

**6. Child Care Block Grant**

	<b>General</b>	<b>Federal</b>	<b>Other</b>	<b>Total</b>	<b>FTE</b>
Agency Request	\$0	\$8,485,298	\$0	\$8,485,298	0.00
<i>Governor's Recommendation</i>	\$0	\$8,485,298	\$0	\$8,485,298	0.00

The agency requests an increase of **\$8,485,298** in **federal funds** for the Child Care Block Grant.

*The governor recommends this request.*

The Child Care Block Grant is a series of federal grants awarded to South Dakota for low-income families to assist with child care. The main purpose of these grants is to subsidize child care for working parents, allowing parents to continue working or engage in job training while their children are taken care of.

To qualify for this program, parents must be working, in an education or job training, or both, for at least 80 hours a month, and make no more than 209% of the federal poverty level. For 2025, this would be \$65,208 for a family of four. If the family qualifies, payments are made directly to the provider. A provider could include a registered and licensed child care provider, such as a family day care or a licensed child care provider, a provider in the process of being registered and licensed, relatives providing child care, or in-home providers that provide child care in the home of working parents.

Most of the grants must be used for the subsidies, with some provided for quality control and administrative costs.

In FY2024, the grant has been given to 1,758 families per month and served 2,985 children. This grant is given to 767 eligible providers during the year.

This is a continuing federal grant, but the amount awarded has been increased. The authority being requested is to allow DSS to use more of the federal grant in upcoming years.

**7. Computer Replacement**

	<b>General</b>	<b>Federal</b>	<b>Other</b>	<b>Total</b>	<b>FTE</b>
Agency Request	\$0	\$0	\$0	\$0	0.00
<i>Governor's Recommendation</i>	<b>(\$800,000)</b>	\$0	\$0	<b>(\$800,000)</b>	0.00

*The governor recommends a decrease of **(\$800,000)** in **general funds**.*

DSS regularly replaces laptops, desktops, and other computer equipment at the recommendation from BIT. Originally, the recommendation from BIT is to replace laptops every three years and desktops every five years. This is to ensure the latest equipment is being used while balancing costs.

The revised replacement schedule is every four years for laptop computers and six years for tower desktop computers. DSS may recommend individual replacement options when needed. The new replacement schedule reduces the frequency of computer replacement and this would reduce costs. The governor’s recommendation would recognize the savings and right-size the budget.

**8. Discretionary Provider Inflation**

	<b>General</b>	<b>Federal</b>	<b>Other</b>	<b>Total</b>	<b>FTE</b>
Agency Request	\$11,472,269	\$20,646,397	\$0	\$32,118,666	0.00
<i>Governor's Recommendation</i>	\$5,983,077	\$11,068,206	\$0	\$17,051,283	0.00

The agency requests an increase of **\$11,472,269** in **general funds** and an increase of **\$20,646,397** in **federal funds** for a 2.4% increase for providers.

*The governor recommends an increase of **\$5,937,532** in **general funds** and an increase of **\$11,068,206** in **federal funds**.*

Certain facilities provide services for South Dakota while not being owned directly by South Dakota. These facilities include health care facilities, nursing homes, service businesses, and other local businesses in South Dakota. The state pays these businesses for their services.

Every year, the state increases the amount paid to these businesses. The increase depends on the estimation of general funds that could be used for these providers, the Consumer Price Index (CPI), and prevailing market conditions. The general objective of these increases is to encourage businesses to continue doing business with the state while maintaining a balanced budget. The Governor's office makes the decision as to the percentage increase for all providers, and each agency applies the decision to the providers under their supervision.

In FY2026, the agencies applied an increase of 2.4% for all providers. The governor recommends an increase of 1.25% for all providers.

DSS uses this increase to payments to medical and behavioral health providers and all employees under their employment.

**9. Field Office Elimination**

	<b>General</b>	<b>Federal</b>	<b>Other</b>	<b>Total</b>	<b>FTE</b>
Agency Request	\$0	\$0	\$0	\$0	0.00
<i>Governor's Recommendation</i>	<b>(\$50,000)</b>	\$0	\$0	<b>(\$50,000)</b>	0.00

*The governor recommends a decrease of **(\$50,000)** in **general funds**.*

DSS operates a number of offices throughout South Dakota to interface with the public. From these offices, DSS can interview potential enrollees for medical and economic assistance services and is a first step in being enrolled in Medicaid and TANF. DSS then processes these applications and enrollees eligible applicants to the appropriate service.

For FY2026, DSS is going to close one of these offices. A decision on which office will be closed has not been made as of the writing of this budget brief. DSS will be looking at metrics such as utilization, geographic distance from other field offices, and other metrics. DSS plans on consolidating workers to other offices or using remote work so that affected workers at the closed office will not be affected. DSS is not planning on reducing FTEs at this time as a result of this field office closure.

## 10. FMAP Change

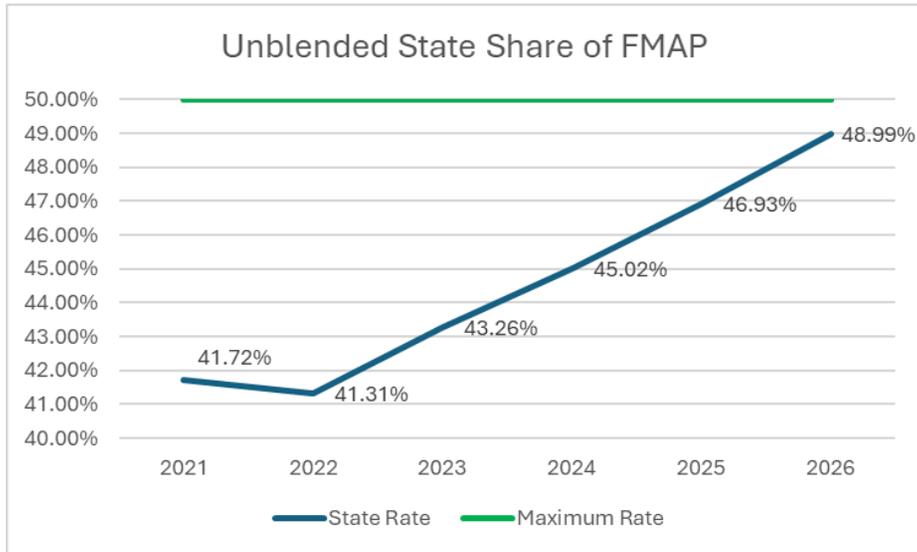
	General	Federal	Other	Total	FTE
Agency Request	\$14,970,503	(\$14,970,503)	\$0	\$0	0.00
Governor's Recommendation	\$14,970,503	(\$14,970,503)	\$0	\$0	0.00

The agency requests an increase of **\$14,970,503** in **general funds** and a decrease of **(\$14,970,503)** in **federal funds** for the FMAP change.

*The governor recommends this request.*

South Dakota administers certain programs, such as Medicaid, Temporary Aid for Needy Families, and the Pierre Rural Family Medicine Residency Program. The cost of these programs is split between the state and the federal government at a rate called the Federal Medical Assistance Percentage or FMAP for short.

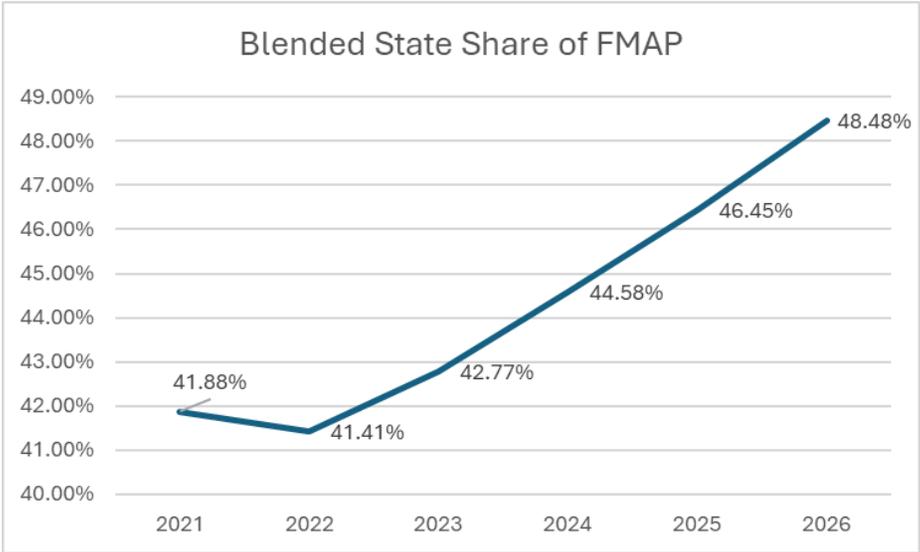
The exact percentage varies every year depending on the ratio of the three-year average of the per capita income of South Dakota versus the three-year average of the per capita income of the United States as a whole. The data for this calculation comes from the per capita income report produced by the Bureau of Economic Analysis. The state share of the FMAP must be between 50% and 17%. The FMAP is governed in code by 42 U.S. Code § 1396b.



For budgeting purposes, we use a blended FMAP which is a weighted average of the FMAP of the current year and the FMAP of the upcoming year. This is because the state fiscal year begins in July for South Dakota while the federal fiscal year begins in October for the federal government.

For SFY2026, the blended FMAP state share is 48.47% up from 46.45% in SFY2025. The main reason for is the stronger than expected income performance for South Dakota in 2022. The unemployment rate in South Dakota has been at about 2% per year for the past few

years with a labor participation rate of 67.5%. The unemployment rate for the United States has been 4% for 2023 and the labor participation rate has been 62.6%. These factors have been driving the state share of FMAP up for the past few years since the COVID-19 pandemic.



DSS uses the FMAP for Medicaid, the Temporary Aid for Needy Families, and other economic programs.

## 11. Food Contract Inflation

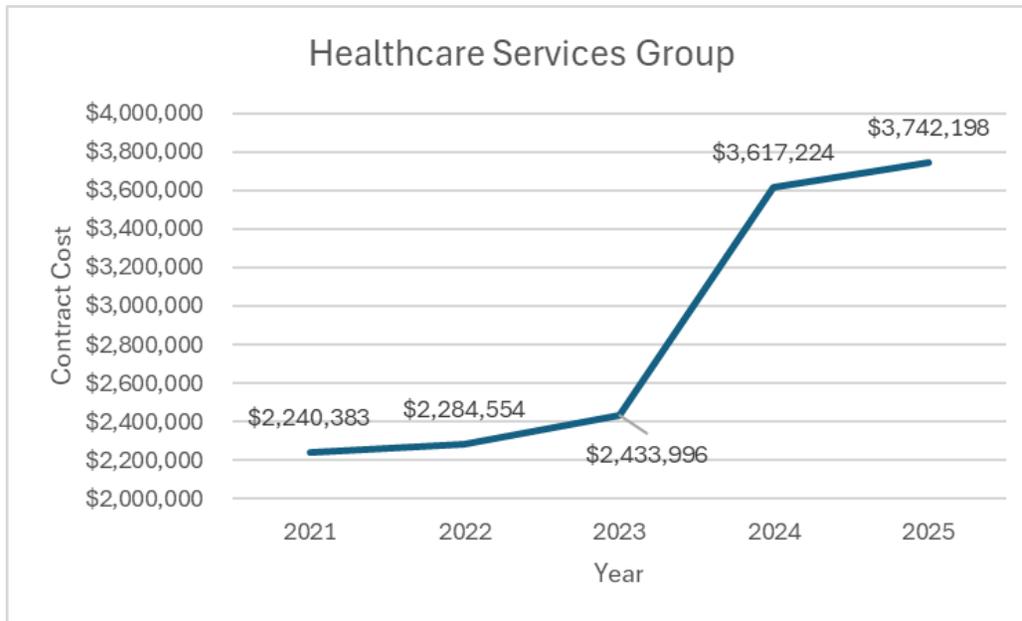
	General	Federal	Other	Total	FTE
Agency Request	\$1,196,303	\$0	\$0	\$1,196,303	0.00
Governor's Recommendation	\$1,196,303	\$0	\$0	\$1,196,303	0.00

The agency requests an increase of **\$1,196,303** in **general funds** for food contract inflation.

*The governor recommends this request.*

DSS is responsible for providing meal services at the Human Services Center (HSC) for the people that are enrolled at the HSC. DSS contracts with Healthcare Services Group to provide the meal services.

The current contract covers June 1, 2024 to May 30, 2025 for a contract cost of \$3,727,932. The appropriation is to cover expected contract increases. Below is a graph of contract costs from 2021 to 2025.



## 12. Food Service Transfer

	General	Federal	Other	Total	FTE
Agency Request	(\$2,619,700)	\$0	\$0	(\$2,619,700)	0.00
Governor's Recommendation	(\$2,619,700)	\$0	\$0	(\$2,619,700)	0.00

The agency requests a decrease of **(\$2,619,700)** in **general funds** for a transfer of food services for inmates in the Human Services Center.

*The governor recommends this request.*

DSS is responsible for the care and feeding of people in the Human Services Center (HSC). The Department of Corrections (DOC) is responsible for all inmates within the correctional system. This includes providing healthcare, mental and behavioral healthcare, shelter, and food. Occasionally, inmates of the South Dakota Correctional System will go to the HSC for behavioral and mental healthcare. While DSS provides services, including meal services, DOC is responsible for ensuring those services are provided. This includes paying for the services provided.

DSS will continue to provide meal services to inmates in HSC, but DOC will pay DSS for those services provided to inmates at HSC. The purpose of this transfer is to move authority to the agency responsible for taking care of the inmates.

## 13. Graduate Medical Education Program

	General	Federal	Other	Total	FTE
Agency Request	\$0	\$0	\$0	\$0	0.00
Governor's Recommendation	(\$1,747,083)	(\$1,857,380)	\$0	(\$3,604,463)	0.00

*The governor recommends a decrease of **(\$1,747,083)** in **general funds** and a decrease of **(\$1,857,380)** in **federal funds**.*

The graduate medical education program (GME) is a program for graduates of medical school to receive experience working in a medical facility. This is more commonly known as residency and is a requirement to receive a medical license. During residency, physicians learn skills that are specific to their chosen field while being supervised by a licensed medical professional. In South Dakota, there are approximately 133 residents in training as of March.

DSS pays a part in this by having residents treat Medicaid patients in various medical facilities throughout South Dakota. With this recommendation from the governor, residents in training would have to find other ways to receive funding for their residency. This may include working with Medicare patients, working with the Veterans' Association, or working under the Rural Healthcare. DSS would not provide any funding for residents in training.

## 14. Indigent Medication Program

	General	Federal	Other	Total	FTE
Agency Request	\$0	\$0	\$0	\$0	0.00
<i>Governor's Recommendation</i>	<i>(\$1,011,604)</i>	<i>\$0</i>	<i>\$0</i>	<i>(\$1,011,604)</i>	<i>0.00</i>

The governor recommends a decrease of **(\$1,011,604)** in **general funds**.

The indigent medication program is a program to financial support for low income individuals to pay for psychotropic medications and lab costs prescribed by their primary care provider. People could qualify for this program by earning under a certain income level, not be enrolled in Medicaid or have private health insurance, sign agreements and releases, and comply with a treatment plan.

The following people were served under this program:

Fiscal Year	Number of People
2023	1,607
2024	1,368
2025*	471

The expansion of Medicaid has increased the number of people covered by Medicaid and disqualified for this program, making this program redundant. As of November 2024, 13,676 individuals were enrolled in Medicaid Expansion.

## 15. Infrastructure Modernization

	<b>General</b>	<b>Federal</b>	<b>Other</b>	<b>Total</b>	<b>FTE</b>
Agency Request	\$27,595,966	\$29,500,000	\$0	\$57,095,966	0.00
<i>Governor's Recommendation</i>	<i>\$2,595,966</i>	<i>\$4,500,000</i>	<i>\$0</i>	<i>\$7,095,966</i>	<i>0.00</i>

The agency requests an increase of **\$27,595,966** in **general funds** and an increase of **\$29,500,000** in **federal funds** for infrastructure improvements.

*The governor recommends an increase of **\$2,595,966** in **general funds** and an increase of **\$4,500,000** in **federal funds**.*

DSS requests funding to move certain IT systems from the mainframe to DSS's systems. DSS has a large technology footprint with multiple applications and systems. DSS wants to consolidate and use common applications across DSS. This will help modernize the system and move away from what IT calls "brittle" applications.

As part of the modernization project, DSS has been working with BIT on the "Benefit Eligibility and Enrollment System" or BEES for short. When a family applies for one benefit, they often qualify for other benefits simultaneously. For example, a family may qualify for the TANF program may also qualify for Medicaid as well. However, for a family to use both Medicaid and TANF, they would need to apply to both programs. With BEES, the same family can fill out just one application and DSS can use the application to enroll the family in multiple assistance programs.

The governor's recommended budget would only include funding for BEES and other licensing and accreditation systems.

**16. Licensing Specialist**

	<b>General</b>	<b>Federal</b>	<b>Other</b>	<b>Total</b>	<b>FTE</b>
Agency Request	\$298,460	\$0	\$0	\$298,460	4.00
<i>Governor's Recommendation</i>	\$0	\$0	\$0	\$0	0.00

The agency requests an increase of **\$298,460** in **general funds** and an increase of **4.0** FTE for 4 licensing specialists.

*The governor does not recommend this request.*

The licensing specialist works with foster families to help connect children with foster families that are able and willing to foster children in need of a home. Their duties include recruiting foster families, evaluating potential foster families for suitability, performing and writing a home study on potential foster families, supporting Child Protection Services to place children with foster families, and providing technical services to licensed foster families.

The expected workload for each licensing specialist is about 60-70 families. This request is for additional licensing specialists to increase demand for foster families and to support these families. Without adequate support, it will take longer to place children with foster families and ensure the families are suitable for foster children. As a result, children are more likely to be placed in offices and hotels until a suitable family is found.

Each licensing specialist would be paid at a mid-point of \$30.84 per hour or \$64,582 per year.

## 17. Mandatory Provider Inflation

	General	Federal	Other	Total	FTE
Agency Request	\$10,906,485	\$7,300,551	\$0	\$18,207,036	0.00
<i>Governor's Recommendation</i>	<i>\$10,839,297</i>	<i>\$7,300,551</i>	<i>\$0</i>	<i>\$18,139,848</i>	<i>0.00</i>

The agency requests an increase of **\$10,906,485** in **general funds** and an increase of **\$7,300,551** in **federal funds** for mandatory provider inflation.

*The governor recommends an increase of **\$10,839,297** in **general funds** and an increase of **\$7,300,551** in **federal funds**.*

Mandatory Provider Inflation is an inflationary increase where the percentage is determined by some agency outside of BFM. This is often a federal agency such as the Department of Health and Human Services which oversees the Medicare and Medicaid program.

The first part of this request is the increase for federally qualified health centers and rural health clinics. These are clinics that focus on the poor and rural areas of South Dakota. The increase is 4.6% from the previous years and the cost is split between the state and federal government at the standard FMAP rate.

The second part of this request is due to increases in drug prices. The Center of Medicare & Medicaid Services (CMS) requires that drug prices match the National Average Drug Acquisitions Cost (NADAC), and the drug prices on the NADAC have increased by 9.5%. NADAC is based on a survey of pharmacies to actually acquire drugs covered by Medicaid.

The third part is the Medicare crossover. The Medicare crossover is when someone is dual eligible for both Medicaid and Medicare. In this case, Medicare covers the portion of a person using medical services, and whatever is not covered by Medicare, Medicaid covers. The needed cost is determined by CMS, and the increase is 4.47% from FY 2025.

The fourth part is for the supplemental Medicare insurance the state pays into, also known as Medicare parts A, B, and D. Part A is to pay for hospital stays, in-home health care, and nursing homes. An inflation factor of 2.47% is being requested. Part B is to pay for durable medical equipment and outpatient care. An inflation factor of 3.11% is being requested. Part D is to help pay for prescription drugs. An inflation factor of 11.76% is being requested. Parts A and B are split between the general and federal funds at the standard FMAP rate while Part D is the general portion only.

The fifth part is the Balanced Budget Act Expanded Supplemental Medical Insurance. In 1997, Congress passed the Balanced Budget Act. As part of this act, states had to pay Medicare insurance premiums for additional individuals covered for Medicare Part B. As part of the law, the federal government also paid a part of this. The increase is solely the federal portion of the insurance premium. An inflation factor of 3.11% is being requested.

The requests in the governor's recommendation are broken down below.

Request	General	Federal
Rural Health Clinic	\$249,893	\$265,670
Prescription Drugs	\$4,997,568	\$5,313,072

Medicare Crossover	\$813,936	\$865,322
Medicare Parts A+B+D	\$4,777,900	\$756,551
Expanded Supplemental Medical Insurance	\$-	\$99,936

A part of the agency’s request but not a part of the governor’s request is a 2.9% increase for behavioral health prescription drugs. The amount for this request is \$67,188.

## 18. Medicaid Enrollment and Utilization

	General	Federal	Other	Total	FTE
Agency Request	(\$4,500,026)	(\$13,361,023)	\$0	(\$17,861,049)	0.00
Governor's Recommendation	(\$4,500,026)	(\$13,361,023)	\$0	(\$17,861,049)	0.00

The agency requests a decrease of **(\$4,500,026)** in **general funds** and a decrease of **(\$13,361,023)** in **federal funds** for a change in utilization for Medicaid and CHIP.

*The governor recommends this request.*

Medicaid is a federal program that pays for the medical costs of low-income individuals. The state and the federal government share in the cost at the standard FMAP rate with a higher rate for the Children’s Health Insurance Program (CHIP). DSS is the agency responsible for managing the Medicaid program in South Dakota and reports to the Department of Health & Human Services on usage and reported costs.

Medicaid covers children, pregnant women, aged adults, and children and adults with disabilities. Anyone qualified for Medicaid is not qualified for Medicaid Expansion. CHIP is a federal health insurance program to cover children of low-income families. The income qualification for CHIP is higher than for Medicaid, and anyone eligible for Medicaid is not eligible for CHIP.

Between July 2024 and November 2024, the average monthly enrollment for Medicaid has been 101,266 people. This includes both adults and children who are enrolled in Medicaid only. DSS estimates the average monthly enrollment for FY 2026 for Medicaid is 98,439 people per month with an annual average cost of \$8,402.

Between July 2024 and November 2024, the average monthly enrollment for CHIP has been 16,498 children. DSS estimates the average monthly enrollment for CHIP is 15,864 children with an annual average cost of \$3,053.

## 19. Medicaid Expansion 5% FMAP Savings

	<b>General</b>	<b>Federal</b>	<b>Other</b>	<b>Total</b>	<b>FTE</b>
Agency Request	\$33,546,341	(\$33,546,341)	\$0	\$0	0.00
<i>Governor's Recommendation</i>	\$33,546,341	(\$33,546,341)	\$0	\$0	0.00

The agency requests an increase of **\$33,546,341** in **general funds** and a decrease of **(\$33,546,341)** in **federal funds** for the enhanced 5% FMAP Savings from the adoption of Medicaid Expansion.

*The governor recommends this request.*

As part of the American Rescue Plan Act (ARPA) of 2021 § 9814, states that expanded Medicaid after the passage of ARPA could receive an additional 5% FMAP bonus for two years after the state adopted Medicaid Expansion.

During the 2022 election, voters approved Amendment D into the South Dakota constitution, providing for the expansion of Medicaid into the state. In FY2024, Medicaid Expansion was adopted and put into the budget. As per ARPA, all programs that received the traditional FMAP match received an additional 5% enhanced FMAP match. This match was included in the budgets for the Department of Social Services, Department of Human Services, Department of Veteran Affairs, Department of Health, and the Department of Corrections. The enhanced FMAP for all departments was included in the FY2024 budget and continued into the FY2025 budget as a fund swap between the general fund and federal fund expenditure authority.

The 5% FMAP savings ends as of FY2026. The changes include what was budgeted back in FY2024 plus any changes that would be affected by the 5% FMAP savings, such as nurses' salaries, program costs, and new programs that were budgeted using the savings built in.

## 20. Medicaid Expansion Administration

	General	Federal	Other	Total	FTE
Agency Request	\$0	\$0	\$0	\$0	0.00
Governor's Recommendation	(\$1,025,508)	(\$1,025,507)	\$0	(\$2,051,015)	(27.00)

The governor recommends a decrease of **(\$1,025,508)** in **general funds**, a decrease of **(\$1,025,507)** in **federal funds** and a decrease of **(27.0)** FTE for a reduction in administration of Medicaid Expansion.

During the 2023 session, DSS estimated they would need 68 FTEs and \$21.2 million dollars to handle the administrative costs relating to Medicaid Expansion. The administrative costs include the costs to enroll people into Medicaid Expansion, track usage and costs, verify eligibility, and other administrative costs. As part of the Affordable Care Act (ACA), the federal government would split the administration costs at a 50% flat rate between the state and federal governments.

During the 2023 session, DSS was estimating there would be about 52,300 people who would enroll into Medicaid Expansion over the next few years, and the administrative cost was to cover the number of people coming into and using the system. As of November 2024, there are 28,762 people enrolled in Medicaid Expansion with an average monthly growth rate of 3.5% per month.

With fewer than expected people enrolling in Medicaid Expansion, this reduces the administrative need. Most of the FTE positions were filled, and those will be reduced through attrition and reassignment.

## 21. Medicaid Expansion Enrollees and Utilization

	General	Federal	Other	Total	FTE
Agency Request	(\$3,850,261)	\$3,725,341	\$0	(\$124,920)	0.00
Governor's Recommendation	(\$3,850,261)	\$3,725,341	\$0	(\$124,920)	0.00

The agency requests a decrease of **(\$3,850,261)** in **general funds** and an increase of **\$3,725,341** in **federal funds** for utilization of Medicaid Expansion.

*The governor recommends this request.*

During the 2022 general elections, voters approved Amendment D which expanded Medicaid eligibility to all adults who earn 138% of the federal poverty guideline. Enrollees of the Medicaid Expansion program are eligible for all medical services covered by the traditional Medicaid program.

The cost is split by a flat 90% federal/10% state share, meaning for every \$100 spent on a person covered by Medicaid Expansion, \$90 of the cost is covered by the federal government and \$10 of the cost is covered by general funds. This 90% split does not vary from year to year and is part of federal law. For this reason, budgeting for Medicaid Expansion is separate from traditional Medicaid.

Included in this budget request is an increased utilization of the Indian Health Services (IHS). The expanded Medicaid program includes eligibility for people who could use IHS. However, IHS uses 100% federal funding instead of the 90% federal split. This has increased the federal fund request while decreasing the general cost increase.

As of November 2024, there were 28,726 enrolled in Medicaid Expansion. DSS estimates that during FY 2026, there would be an average monthly enrollment of 32,296 people, with an average annual cost of \$11,884 per enrollee.

## 22. Meth Prevention Marketing

	General	Federal	Other	Total	FTE
Agency Request	\$0	\$0	\$0	\$0	0.00
Governor's Recommendation	(\$250,000)	\$0	\$0	(\$250,000)	0.00

*The governor recommends a decrease of **(\$250,000)** in **general funds** for Meth Prevention Marketing.*

As part of the state response to opioid abuse, DSS produced a number of advertisements to inform people about meth and the abuse of meth. Since August 2023, there were 4 behavioral health videos created with about 3 million video completions (the number of views that were watched in entirety). Two additional audio spots were made which played on radio and streaming sites. There were a total of 8.1 million impressions on digital audio sites and 3.4 million impressions on traditional radio. Ads were also made for newspaper, magazines, radio stations, and billboards statewide as well as social media sites such as Facebook, X, and LinkedIn.

The request would move the funding for the advertising campaign to the State Opioid Response (SOR) Federal Grant. This grant will cover the costs of the advertising. The SOR grant is a grant from the federal government to help treat and prevent opioid and other drug abuse. South Dakota has received a \$4 million grant as its share. There is no matching requirement for this grant.

### 23. Non-Medicaid Enrollees and Utilization

	General	Federal	Other	Total	FTE
Agency Request	\$1,027,129	\$602,261	\$0	\$1,629,390	0.00
Governor's Recommendation	\$0	\$0	\$0	\$0	0.00

The agency requests an increase of **\$1,027,129** in **general funds** and an increase of **\$602,261** in **federal funds** for an increase in enrollment and utilization of non-Medicaid programs.

*The governor does not recommend this request.*

This request has two parts. The first part is the subsidized guardianship. When a child is placed in foster care, it is in often difficult but temporary circumstances. The main goal of foster care is to eventually reunite children with their parents when possible. During the time that a foster family is taking care of the child, DSS offers subsidies to offset the cost of caring for the child. These subsidies help cover the cost of food, clothing, medicine, and other costs for taking care of the child. Over time, the number of children in our foster system has increased, and so has the need to subsidize the caring of these children.

Fiscal Year	Subsidized Foster Families
2021	489
2022	503
2023	511
2024	530
2025 (Estimate)	549
2026 (Estimate)	568

The second part is the subsidized adoption. When a child is adopted by a family, the parents may need help to care for the newly adopted child. DSS offers these parents certain subsidies to help care for these children, including subsidies for food, clothing, medicine, and other needs. This is to provide assistance to new parents that may need help.

Fiscal Year	Subsidized Adoptions
2021	2,081
2022	2,187
2023	2,271
2024	2,355

2025 (Estimate)	2,466
2026 (Estimate)	2,537

The governor’s recommendation would leave spending levels in place where they are now.

#### 24. Placement Intake Coordinator

	General	Federal	Other	Total	FTE
Agency Request	\$69,849	\$0	\$0	\$69,849	1.00
<i>Governor's Recommendation</i>	<i>\$0</i>	<i>\$0</i>	<i>\$0</i>	<i>\$0</i>	<i>0.00</i>

The agency requests an increase of **\$69,849** in **general funds** and an increase of **1.0** FTE for a placement intake coordinator.

*The governor does not recommend this request.*

The placement intake coordinator works with licensing specialists to provide placement of children with foster families. Specifically, they would coordinate placement requests between child protection services and licensing specialists, gather placement information from child protection services and the Fraud Abuse Control Information System (FACIS), monitor and track the progress of placements, and assist with placement efforts when needed. Their main role is to make sure there are no problems when children are placed and ensure the integrity of the system. They would work with the Office of Licensing and Accreditation with DSS.

The placement intake coordinator would be paid at a minimum of \$47,376 and a maximum of \$71,059.

#### 25. Property Management Transfer

	General	Federal	Other	Total	FTE
Agency Request	(\$37,476)	(\$37,476)	\$0	(\$74,952)	(1.00)
<i>Governor's Recommendation</i>	<i>\$0</i>	<i>\$0</i>	<i>\$0</i>	<i>\$0</i>	<i>0.00</i>

The agency requests a decrease of **(\$37,476)** in **general funds**, a decrease of **(\$37,476)** in **federal funds** and a decrease of **(1.0)** FTE for a property manager transfer.

*The governor does not recommend this request.*

The agency request is to move a property manager from DSS to BHRA.

The BHRA is the agency responsible for managing all state-owned property outside of the Department of Military and the Board of Regents. Currently, the responsibility of space billing in state owned property belongs with the agency that occupies the most square-footage of each leased building. This is often DSS. The request would move the responsibility from DSS to BHRA.

## 26. Regional Facility Short Term Crisis Beds

	General	Federal	Other	Total	FTE
Agency Request	\$1,304,631	\$3,196,579	\$0	\$4,501,210	0.00
<i>Governor's Recommendation</i>	\$1,269,246	\$3,181,414	\$0	\$4,450,660	0.00

The agency requests an increase of **\$1,304,631** in **general funds** and an increase of **\$3,196,579** in **federal funds** for short-term beds in regional facilities.

*The governor recommends an increase of **\$1,269,246** in **general funds** and an increase of **\$3,181,414** in **federal funds**.*

DSS contracts with facilities in Rapid City, Yankton, and Watertown to provide short-term beds for people who are experiencing mental health challenges such as suicide idealization and drug abuse problems. People can stay in these beds for up to 30 days while receiving help for these issues. Currently, 28 beds could be used for short-term beds. DSS is working with other behavioral health providers such as Avera Behavioral Health, Dakota Counseling Institute, and Lewis & Clark Behavioral Health for an additional 31 beds for a total of 59 beds.

In FY 2024, the beds had an occupancy rate of 28%. Two of the three facilities opened their beds recently and the main reason for the low occupancy rate is the low staff. All facilities DSS is working with is now fully staffed and the expected occupancy rate is 90%.

The increase in the governor's recommended budget is a provider inflationary rate of 1.25%.

## 27. Renal Disease Program

	General	Federal	Other	Total	FTE
Agency Request	\$0	\$0	\$0	\$0	0.00
<i>Governor's Recommendation</i>	(\$30,458)	\$0	\$0	(\$30,458)	0.00

*The governor recommends a decrease of **(\$30,458)** in **general funds**.*

The Renal Disease program is to assist low-income people pay for treatment of kidney disease, including transplants and dialysis. To qualify for this program, a person must be suffering from a chronic kidney condition and require a transplant or dialysis. Also, a person must be ineligible for Medicaid, Medicare, Veterans' benefits, or any other medical assistance program. The maximum amount this program would cover is \$5,000. This program was put into law by the legislature in 1976 and codified as SDCL 28-6A.

Only 3 people used this program during FY 2024, and they often used other forms of financial assistance. Since the Medicaid Expansion, eligibility for Medicaid was expanded to include all adults up to 138% of the Federal Poverty Line. This made the renal disease program redundant and would cover more people than the renal disease program.

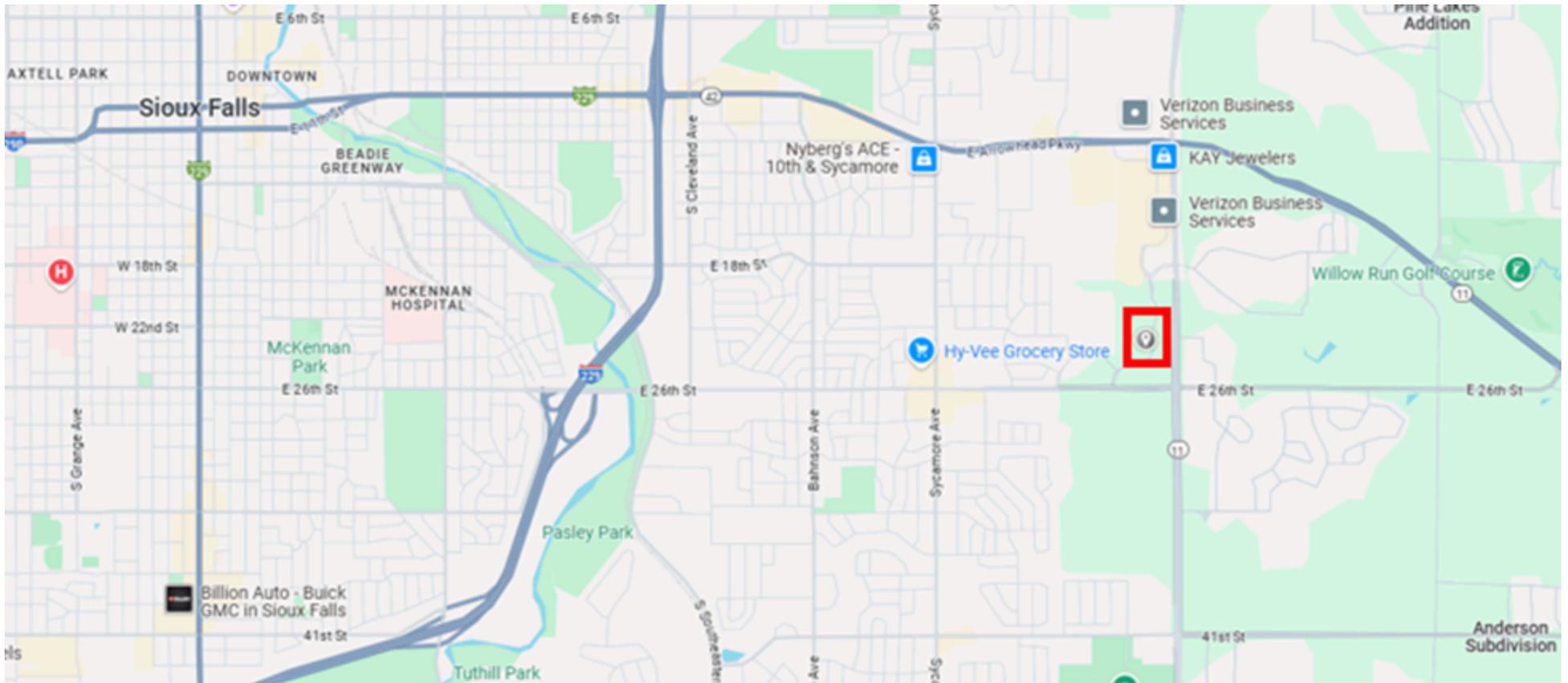
## 28. Sioux Falls One Stop

	General	Federal	Other	Total	FTE
Agency Request	\$1,227,830	\$665,720	\$0	\$1,893,550	0.00
Governor's Recommendation	\$1,227,830	\$665,720	\$0	\$1,893,550	0.00

The agency requests an increase of **\$1,227,830** in **general funds** and an increase of **\$665,720** in **federal funds** for the Sioux Falls One Stop.

*The governor recommends this request.*

The Sioux Falls One Stop is a building set to house multiple agencies designed to centralize public service in the Sioux Falls area. The campus is set to be located along Highline Avenue just north of 26th Street. It is south of Dawley Farms Village in the eastern part of the city. Below is a map of the location of the One Stop within Sioux Falls.



The One Stop is being developed by Dream Design International, which has teamed up with CO-OP Architecture and McGough Construction for completing the project. Dream Design was selected via [a bidding process started on September 12, 2022](#). The company has taken on the full cost of constructing the building.

The landlord for the building will be SF One Stop LLC, a company managed by the owner of Dream Design International, Hani Shafai. The One Stop is expected to be completed and ready for move-in around June 2025. Agencies may move into the One Stop before the lease begins but must pay rent for the time that they occupy the building. The One Stop will consist of three connected structures at the same location, housing thirteen separate agencies.

The lease is set to be for a period of 30 years, from September 1, 2025, to August 31, 2055. Each agency will be charged is \$22.95 per sq. ft. for the lease plus \$3.97 per sq. ft. for the operating costs of the building for a total of \$26.92 per sq. ft. Along with their own square footage, agencies are responsible for the rent on a portion of the common area shared across the entire One Stop.

The state has agreed to pay, in total, \$543,387 per month for rent and \$93,998 per month for operating costs. The state is also responsible for covering the cost of electricity, gas, water, sewer, telephone, cable, janitorial services, garbage pickup, and internet. The landlord has agreed to cover landscaping, lawn mowing, and snow removal. In the event the Legislature does not provide expenditure authority for renting space in the One-Stop, the lease becomes null and void.

The table below shows the approximate cost per agency for renting space in the Sioux Falls One-Stop. Prior to the One Stop, these agencies were renting 143,901 square feet of office space in Sioux Falls for a total of \$2,066,167 a year.

Agency	Sq. Ft.	Shared Sq. Ft.	Total Sq. Ft.	% of Total Sq. Ft.	Lease Cost
DSS	9,656	26,896	96,552	33.98%	\$ 2,599,180
DHS	20,911	8,074	28,985	10.20%	\$ 780,284
DLR	28,051	10,831	38,882	13.68%	\$ 1,046,710
DPS	8,781	3,391	12,172	4.28%	\$ 327,659
DOH	31,278	12,077	43,355	15.26%	\$ 1,167,124
DANR	5,394	2,083	7,477	2.63%	\$ 201,274
BIT	7,304	2,820	10,124	3.56%	\$ 272,545
DOC	9,757	3,767	13,524	4.76%	\$ 364,078
DOR	10,531	4,066	14,597	5.14%	\$ 392,959
BHRA	4,422	1,707	6,129	2.16%	\$ 165,005
DOE	379	146	525	0.18%	\$ 14,142
GOED	4,209	1,625	5,834	2.05%	\$ 157,057
UJS	4,304	1,662	5,966	2.10%	\$ 160,602
<b>TOTAL</b>	<b>204,977</b>	<b>79,147</b>	<b>284,124</b>	<b>100.00%</b>	<b>\$ 7,648,618</b>

## 29. Social Service Aides

	General	Federal	Other	Total	FTE
Agency Request	\$1,294,086	\$228,368	\$0	\$1,522,454	25.00
<i>Governor's Recommendation</i>	<i>\$517,634</i>	<i>\$91,347</i>	<i>\$0</i>	<i>\$608,981</i>	<i>10.00</i>

The agency requests an increase of **\$1,294,086** in **general funds**, an increase of **\$228,368** in **federal funds** and an increase of **25.0** FTE for Social Service Aides.

*The governor recommends an increase of **\$517,634** in **general funds**, an increase of **\$91,347** in **federal funds** and an increase of **10.0** FTE.*

Social Service aides assist family service specialists in transporting children to court-ordered services such as counseling and parent visitations. They often work in difficult and sometimes violent circumstances to provide services for these children. In FY 2024, family service specialists reported 78 incidents, including 24 physical assaults, 8 of those with physical injuries, and 22 threats of physical assaults. The social service aides would help with these situations and ensure the safety of the family service specialists. Currently, this work is being covered by the family service specialists, aides, and supervisors.

The social service aides would be paid at a middle point of \$23.20 per hour or \$48,441 per year. The governor's recommendation would cover 10 social service aides to assist with the family service specialists. If approved, the ratio would be one social service aide for every 4 family service specialists. This would be counting the FTEs if approved as well as currently employed social service aides.

## 30. Strategic Prevention Framework Grant

	General	Federal	Other	Total	FTE
Agency Request	\$0	\$1,249,977	\$0	\$1,249,977	0.00
<i>Governor's Recommendation</i>	<i>\$0</i>	<i>\$1,249,977</i>	<i>\$0</i>	<i>\$1,249,977</i>	<i>0.00</i>

The agency requests an increase of **\$1,249,977** in **federal funds** for the strategic prevention framework.

*The governor recommends this request.*

The Strategic Prevention Framework grant is a federal grant aimed at central South Dakota to prevent substance abuse and address mental health issues. The focus of this grant is more on prevention rather than treatment. The grant will be managed by the Division of Behavioral Health and use the RFP process to work with nine different agencies in central South Dakota for programs that will work with education and prevention of substance abuse. DSS is currently working with three existing Prevention Resource Centers and will work in the RFP process for five more additional organizations to provide these services.

Effectiveness is measured by the number of activities completed, the number of individuals participating in prevention activities, and demographic information. The focus of these activities will be on teenagers and young adults. DSS will also collect data on pretest and posttest information on the past 30-day use of substances and the perception of harm of substance use.

The Department of Health and Human Services will provide DSS \$1.25 million per year over the next five years for this program.

**31. TANF Grant Source Shift**

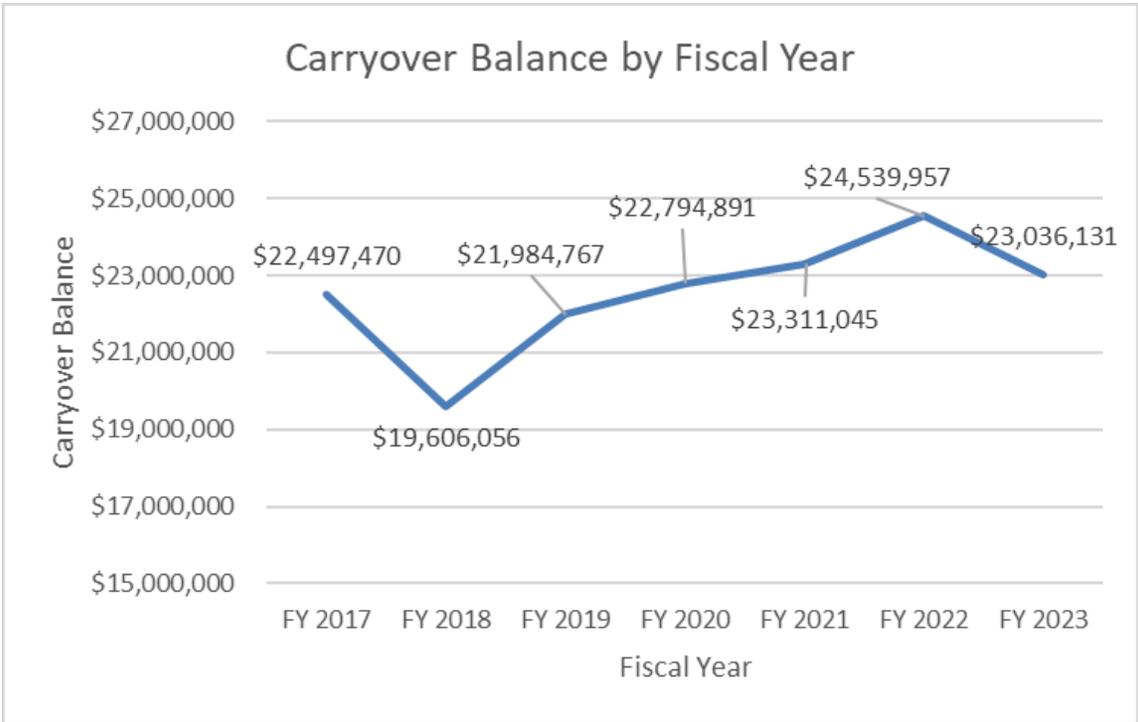
	<b>General</b>	<b>Federal</b>	<b>Other</b>	<b>Total</b>	<b>FTE</b>
Agency Request	\$0	\$0	\$0	\$0	0.00
<i>Governor's Recommendation</i>	<i>(\$5,300,000)</i>	<i>\$5,300,000</i>	<i>\$0</i>	<i>\$0</i>	<i>0.00</i>

*The governor recommends a decrease of **(\$5,300,000)** in **general funds** and an increase of **\$5,300,000** in **federal funds**.*

The Temporary Aid for Needy Families (TANF) is a government program designed to provide welfare assistance for families experiencing temporary economic hardship. The program is primarily funded by the federal government through a \$21.2 million grant along with funding by South Dakota with a \$8.54 million appropriation of general funds for maintenance of effort (MOE). The MOE is the minimum amount the state must spend in general funds to receive the federal grant, and states are free to spend more on their TANF programs. The program is meant to provide financial aid for families and assist with job placement and training. The program is run by South Dakota through DSS, and is governed by administrative rule (ARSD 67:10 for the full listing of rules governing TANF).

Over the past few years, the state has increased the amount of general funds spent on TANF programs through discretionary inflation up to \$13.8 million in general funds. This recommendation would set the amount of general funds spent on TANF programs to the MOE of \$8.54 million.

The amount of TANF dollars used, both general MOE dollars and federal grant dollars, varies from year to year depending on the number of families making claims and accepted into the program. In years where demand for TANF grants is lower than needed, the excess federal grant money is put away into what is known as the "carryover". This is extra federal grant money that can be used when demand for TANF grants may be higher. The amount of carryover available to South Dakota is roughly \$23 million dollars, and has been between \$19 million dollars and \$24 million dollars per year.



The recommendation would reduce general fund spending on TANF programs to the MOE level of \$8.54 million and replace it with federal dollars in the carryover. This would reduce the amount of general fund spending while preventing the reduction of TANF benefits.

**32. Utility Cost Adjustment**

	<b>General</b>	<b>Federal</b>	<b>Other</b>	<b>Total</b>	<b>FTE</b>
Agency Request	\$125,542	\$0	\$0	\$125,542	0.00
<i>Governor's Recommendation</i>	<i>\$80,196</i>	<i>\$0</i>	<i>\$0</i>	<i>\$80,196</i>	<i>0.00</i>

The agency requests an increase of **\$125,542** in **general funds** for utility cost adjustments.

*The governor recommends an increase of **\$80,196** in **general funds**.*

The state uses a software called EnergyCAP (also referred to as ENCAP) to track and analyze agencies' energy usage throughout the fiscal year. To calculate the budget adjustments needed for utilities, agencies multiply their utilization by energy source from the previous year ended (FY24 for the current adjustments) by the Statewide Energy Manager's projected future price rates for each energy source, which are based on data from utility suppliers and industry resources. Additionally, the Statewide Energy Manager provides projections on weather sensitivity for each energy source and adjustments for heating and cooling days.

Combining the most recent fiscal year of data on their actual energy utilization with the Energy Manager's projections, agencies request any adjustments to their utilities budgets that they are forecasted to need for the next fiscal year. Utility cost adjustments for the current fiscal year (which appear in the supplemental to the current year's G-Bill) are calculated in the same way as adjustments for the next fiscal year, except that the percentage change in the cost rates is typically different.

This process is used for natural gas, propane, electricity, and fuel oil. Other utility adjustments are requested outside of this process and evaluated separately.

DSS manages the Human Services Center (HSC) which is a state-owned building. As a state-owned building, South Dakota is responsible, through DSS, for maintaining the utilities in the building.

### 33. Utilization Adjustments

	General	Federal	Other	Total	FTE
Agency Request	\$0	\$0	\$0	\$0	0.00
Governor's Recommendation	(\$15,500,000)	(\$11,000,000)	\$0	(\$26,500,000)	0.00

The governor recommends a decrease of **(\$15,500,000)** in **general funds** and a decrease of **(\$11,000,000)** in **federal funds**.

DSS is the agency responsible for managing economic assistance and medical assistance programs, including Medicaid, TANF, LIAEP, SNAP, and others. Every year, DSS, working with the governor's office, estimates the utilization and cost of these programs. These estimations translate into the budget request.

For FY2026, DSS is estimating a reduction in various economic and medical assistance programs, and this is driving down the budget request. The table below describes what is being requested in which area.

Program	General	Federal
Economic Assistance	(\$1,500,000)	(\$1,500,000)
Medical Services (Benefit Administration Contract)	(\$6,000,000)	(\$6,000,000)
Child Protection Services	(\$3,500,000)	(\$1,500,000)
Human Services Center	(\$1,000,000)	\$0
Community Behavioral Health	(\$3,500,000)	(\$2,000,000)
Totals	(\$15,500,000)	(\$11,000,000)

The decision as to how much to cut and where is based on historical utilization.

Department of Social Services Budget Request							
By Fund Category	FY 2023 Actual	FY 2024 Actual	FY 2024 Budget Revised	FY 2025 Budget	FY 2026 Agency Request	FY 2026 Governors Recommended	Change From FY2025
General	\$411,531,626	\$491,022,360	\$533,347,732	\$650,783,601	\$713,143,232	\$653,857,914	\$3,074,313
Federal	\$738,491,203	\$928,417,792	\$1,024,839,851	\$1,209,548,378	\$1,223,233,527	\$1,179,767,910	(\$29,780,468)
Other	\$7,080,469	\$6,653,316	\$12,121,910	\$11,151,017	\$11,153,667	\$11,153,667	\$2,650
<b>Total</b>	<b>\$1,157,103,299</b>	<b>\$1,426,093,468</b>	<b>\$1,570,309,493</b>	<b>\$1,871,482,996</b>	<b>\$1,947,530,426</b>	<b>\$1,844,779,491</b>	<b>(\$26,703,505)</b>
By Program	FY 2023 Actual	FY 2024 Actual	FY 2024 Budget Revised	FY 2025 Budget	FY 2026 Agency Request	FY 2026 Governors Recommended	Change From FY2025
Administration	\$28,433,020	\$34,076,551	\$37,710,261	\$38,159,524	\$89,807,667	\$38,431,242	\$271,718

<b>By Program</b>	<b>FY 2023 Actual</b>	<b>FY 2024 Actual</b>	<b>FY 2024 Budget Revised</b>	<b>FY 2025 Budget</b>	<b>FY 2026 Agency Request</b>	<b>FY 2026 Governors Recommended</b>	<b>Change From FY2025</b>
Economic Assistance	\$98,587,663	\$155,378,467	\$150,579,173	\$154,828,200	\$171,361,068	\$166,346,634	\$11,518,434
Medical Services	\$761,061,316	\$938,310,621	\$1,007,826,198	\$1,326,607,598	\$1,320,841,583	\$1,292,818,204	(\$33,789,394)
Children's Services	\$119,432,366	\$115,379,992	\$156,671,619	\$133,866,366	\$139,536,151	\$130,761,971	(\$3,104,395)
Behavioral Health	\$149,175,394	\$182,526,738	\$217,011,839	\$217,491,404	\$225,451,403	\$215,888,886	(\$1,602,518)
Board of Counselor Examiners - Info	\$107,998	\$96,027	\$107,813	\$114,368	\$114,368	\$114,368	\$0
Board of Psychology Examiners- Info	\$63,110	\$64,468	\$86,284	\$90,265	\$90,265	\$90,265	\$0
Board of Social Work Examiners - Info	\$113,938	\$120,462	\$144,613	\$133,048	\$135,698	\$135,698	\$2,650
Board of Addiction & Prevent Prof - Info	\$128,493	\$140,143	\$171,693	\$192,223	\$192,223	\$192,223	\$0
<b>Total</b>	<b>\$1,157,103,299</b>	<b>\$1,426,093,468</b>	<b>\$1,570,309,493</b>	<b>\$1,871,482,996</b>	<b>\$1,947,530,426</b>	<b>\$1,844,779,491</b>	<b>(\$26,703,505)</b>
<b>By Object Expenditure Personnel Costs</b>	<b>FY 2023 Actual</b>	<b>FY 2024 Actual</b>	<b>FY 2024 Budget Revised</b>	<b>FY 2025 Budget</b>	<b>FY 2026 Agency Request</b>	<b>FY 2026 Governors Recommended</b>	<b>Change From FY2025</b>
	<b>\$107,666,558</b>	<b>\$125,927,155</b>	<b>\$137,530,686</b>	<b>\$141,889,487</b>	<b>\$143,701,298</b>	<b>\$140,735,875</b>	<b>(\$1,153,612)</b>
Salaries	\$81,919,964	\$96,295,623	\$103,171,600	\$106,442,582	\$107,727,108	\$105,109,700	(\$1,332,882)
Benefits	\$25,746,594	\$29,631,532	\$34,359,086	\$35,446,905	\$35,974,190	\$35,626,175	\$179,270
<b>Operating Expenditures</b>	<b>FY 2023 Actual</b>	<b>FY 2024 Actual</b>	<b>FY 2024 Budget Revised</b>	<b>FY 2025 Budget</b>	<b>FY 2026 Agency Request</b>	<b>FY 2026 Governors Recommended</b>	<b>Change From FY2025</b>
	<b>\$1,049,436,741</b>	<b>\$1,300,166,313</b>	<b>\$1,432,778,807</b>	<b>\$1,729,593,509</b>	<b>\$1,803,829,128</b>	<b>\$1,704,043,616</b>	<b>(\$25,549,893)</b>
Travel	\$2,231,814	\$2,521,665	\$2,518,923	\$2,602,561	\$2,606,561	\$2,602,561	\$0
Contractual Services	\$75,655,310	\$105,488,307	\$70,462,716	\$78,286,139	\$136,564,800	\$84,457,062	\$6,170,923
Supplies	\$4,779,036	\$5,111,953	\$5,061,194	\$5,101,576	\$5,236,747	\$5,179,275	\$77,699
Grants	\$957,738,782	\$1,174,405,472	\$1,353,018,374	\$1,641,885,633	\$1,657,703,420	\$1,610,087,118	(\$31,798,515)
Capital Outlay	\$8,999,467	\$12,104,988	\$1,717,600	\$1,717,600	\$1,717,600	\$1,717,600	\$0
Other Expenses and Budgeted Operating Transfers Out	\$32,332	\$533,928	\$0	\$0	\$0	\$0	\$0
<b>Total</b>	<b>\$1,157,103,299</b>	<b>\$1,426,093,468</b>	<b>\$1,570,309,493</b>	<b>\$1,871,482,996</b>	<b>\$1,947,530,426</b>	<b>\$1,844,779,491</b>	<b>(\$26,703,505)</b>
<b>Full-Time Equivalent (FTE)</b>	<b>1,398.75</b>	<b>1,456.01</b>	<b>1,578.0</b>	<b>1,569.5</b>	<b>1,598.5</b>	<b>1,551.5</b>	<b>(18.0)</b>

## Funding Sources (Governor's Recommended)

	General	Federal	Other	General%	Federal%	Other%
STATE GENERAL FUND	\$193,969,374	\$0	\$0	29.7%	0.0%	0.0%
FEDERAL STIMULUS FUNDS (COVID-19)	\$0	\$3,750,000	\$0	0.0%	0.3%	0.0%
SOCIAL SERVICES FEDERAL FUNDS	\$0	\$1,037,020	\$0	0.0%	0.1%	0.0%
BEHAVIORAL HEALTH SRVCS INFO S	\$0	\$291,775	\$0	0.0%	0.0%	0.0%
STATE OPIOID RESPONSE (SOR)	\$0	\$4,000,000	\$0	0.0%	0.3%	0.0%
DRUG & ALCOHOL SRVCS INFO SYS	\$0	\$34,247	\$0	0.0%	0.0%	0.0%
SUBSTANCE ABUSE PREVENTION & T	\$0	\$6,239,898	\$0	0.0%	0.5%	0.0%
TANF-TEMP. ASSISTANCE FOR NEED	\$3,239,980	\$27,696,770	\$0	0.5%	2.3%	0.0%
BSCA CENTER FOR MENTAL HEALTH	\$0	\$132,000	\$0	0.0%	0.0%	0.0%
LOCAL 988 CAPACITY IMPROVEMENT	\$0	\$747,493	\$0	0.0%	0.1%	0.0%
TRANSFORMATION TRANSFR INITIAT	\$0	\$250,000	\$0	0.0%	0.0%	0.0%
NO DESC (PRIOR)	\$0	\$130,000	\$0	0.0%	0.0%	0.0%
SD - RURAL CRISIS RESPONSE GRA	\$0	\$708,477	\$0	0.0%	0.1%	0.0%
STRATEGIC PREVENTION CAPACITY	\$0	\$1,279,000	\$0	0.0%	0.1%	0.0%
MENTAL HEALTH AWARENESS TRAINI	\$0	\$156,758	\$0	0.0%	0.0%	0.0%
SUICIDE PREVENTION GRANT	\$0	\$400,000	\$0	0.0%	0.0%	0.0%
COMMUNITY MENTAL HEALTH SERVIC	\$0	\$2,194,777	\$0	0.0%	0.2%	0.0%
EDUCATIONAL & TRAINING VOUCHER	\$0	\$155,291	\$0	0.0%	0.0%	0.0%
PATH	\$2,255	\$294,766	\$0	0.0%	0.0%	0.0%
TITLE XVIII-MEDICARE	\$0	\$3,502,541	\$0	0.0%	0.3%	0.0%
LOW INCOME ENERGY ASSISTANCE (	\$0	\$26,699,643	\$0	0.0%	2.3%	0.0%
TITLE IV-D CHILD SUPPORT ENFOR	\$4,136,060	\$8,034,564	\$0	0.6%	0.7%	0.0%
TITLE XX-SOCIAL SERVICES BLOCK	\$3,479,951	\$4,269,218	\$0	0.5%	0.4%	0.0%
COMMUNITY BASED FAMILY RESOURC	\$0	\$390,137	\$0	0.0%	0.0%	0.0%
CHILD CARE/DEVELOP. FUND-DISCR	\$0	\$27,437,755	\$0	0.0%	2.3%	0.0%
FOOD STAMPS	\$9,487,616	\$12,378,116	\$12,898	1.5%	1.0%	0.1%
TITLE IV-E ADOPTION ASSISTANCE	\$8,742,892	\$9,221,029	\$0	1.3%	0.8%	0.0%
TITLE IV-E FOSTER CARE	\$10,129,518	\$10,457,602	\$0	1.5%	0.9%	0.0%
TITLE IV-E INDEPENDENT LIVING	\$128,116	\$558,865	\$0	0.0%	0.0%	0.0%
TITLE XIX-ADMINISTRATION	\$30,245,725	\$82,064,196	\$280,701	4.6%	7.0%	2.5%
COMMUNITY SERVICES BLOCK GRANT	\$0	\$3,196,945	\$0	0.0%	0.3%	0.0%
FAMILY VIOLENCE PREVENTION & S	\$0	\$3,275	\$0	0.0%	0.0%	0.0%
WEATHERIZATION ASSISTANCE	\$0	\$7,839,982	\$0	0.0%	0.7%	0.0%
TITLE XXI-CHILDREN'S HEALTH IN	\$17,712,241	\$34,490,062	\$0	2.7%	2.9%	0.0%
CHILD CARE/DEVELOP. FUND-MANDA	\$4,817,489	\$6,729,822	\$0	0.7%	0.6%	0.0%

	General	Federal	Other	General%	Federal%	Other%
CHILD ABUSE & NEGLECT	\$0	\$152,290	\$0	0.0%	0.0%	0.0%
FOOD STAMPS EMPLOYMENT & TRAIN	\$7,240	\$7,240	\$0	0.0%	0.0%	0.0%
TITLE XIX-PROVIDER	\$331,287,655	\$528,173,355	\$0	50.7%	44.8%	0.0%
MEDICAID EXPANSION	\$35,986,012	\$362,251,792	\$0	5.5%	30.7%	0.0%
TITLE IV-E ADOPTION INCENTIVE	\$0	\$100,062	\$0	0.0%	0.0%	0.0%
CHILDREN'S JUSTICE ACT	\$0	\$157,422	\$0	0.0%	0.0%	0.0%
FAMILY PRESERVATION & SUPPORT	\$204,245	\$688,995	\$0	0.0%	0.1%	0.0%
MONEY FOLLOWS THE PERSON REBAL	\$0	\$69,129	\$0	0.0%	0.0%	0.0%
FOOD STAMPS EMPLOYMENT & TRAIN	\$0	\$538,323	\$0	0.0%	0.0%	0.0%
OFFICE OF REFUGEE RESETTLEMENT	\$0	\$95,962	\$0	0.0%	0.0%	0.0%
IDEA-PART B-STATE GRANTS	\$0	\$126,000	\$0	0.0%	0.0%	0.0%
FOOD STAMP E & T PART DEP CARE	\$57,660	\$57,660	\$0	0.0%	0.0%	0.0%
TITLE IV-B CHILD WELFARE SERVI	\$175,354	\$526,062	\$0	0.0%	0.0%	0.0%
TITLE IV-E GUARDIANSHIP ASSIST	\$48,531	\$51,594	\$0	0.0%	0.0%	0.0%
FOOD STAMP INCENTIVES	\$0	\$0	\$1,105,481	0.0%	0.0%	9.9%
USD/HSC MEDICAL FACULTY TRAINI	\$0	\$0	\$37,321	0.0%	0.0%	0.3%
HSC LOCAL & ENDOWMENT FUND	\$0	\$0	\$636,445	0.0%	0.0%	5.7%
OCSE INCENTIVE	\$0	\$0	\$3,591,417	0.0%	0.0%	32.2%
GAMBLING TREATMENT	\$0	\$0	\$214,000	0.0%	0.0%	1.9%
COMMISSION ON GAMING	\$0	\$0	\$30,000	0.0%	0.0%	0.3%
QMHP FEES	\$0	\$0	\$5,973	0.0%	0.0%	0.1%
PRESCRIPTION DRUG PLAN FUND	\$0	\$0	\$125,772	0.0%	0.0%	1.1%
OPIOID SETTLEMENT FUND	\$0	\$0	\$3,000,000	0.0%	0.0%	26.9%
TOBACCO PREVENTION & REDUCTION	\$0	\$0	\$260,635	0.0%	0.0%	2.3%
LOCAL DONATED (DSS)	\$0	\$0	\$16,007	0.0%	0.0%	0.1%
BOARD OF COUNSELOR EXAMINERS	\$0	\$0	\$114,368	0.0%	0.0%	1.0%
BOARD OF EXAMINERS OF PSYCHOLO	\$0	\$0	\$90,265	0.0%	0.0%	0.8%
BOARD OF SOCIAL WORK EXAMINERS	\$0	\$0	\$135,698	0.0%	0.0%	1.2%
BOARD OF ADDICTION AND PREVENT	\$0	\$0	\$192,223	0.0%	0.0%	1.7%
CHILD CARE FUND	\$0	\$0	\$1,006,733	0.0%	0.0%	9.0%
CHILDREN'S TRUST FUND	\$0	\$0	\$297,730	0.0%	0.0%	2.7%

## Governor's Recommend FY23 Supplemental Bill Changes - Department of Social Services

### 5% FMAP from Medicaid Expansion Buy-Down

- Decrease of **(\$31,668,300) in general funds** for the 5% FMAP Savings buy down. During the 2023 session and 2024 session, the legislature appropriated \$31,668,300 in general funds to DSS in anticipation for the end of the 5% FMAP Savings for expanding Medicaid.

### Change in Medicaid and CHIP Enrollments

- Decrease of **(\$17,272,905) in general funds** for a decrease in utilization of Medicaid
- Decrease of **(\$23,717,724) in federal fund expenditure authority** for a decrease in utilization of Medicaid.

During the 2024 session, DSS budgeted for a monthly average of 119,209 enrollees in Medicaid. So far in FY 2025, there has been a monthly average of 101,266 as of November 2024. The enrollment rate has been slowing since the beginning of FY 2025, and the budget is being adjusted for this slowing of enrollment into Medicaid.

### Change in Medicaid Expansion Enrollments

- Decrease of **(\$7,827,295) in general funds** for a decline in utilization of Medicaid Expansion.
- Decrease of **(\$32,067,960) in federal fund expenditure authority** for a decline in utilization of Medicaid Expansion.

During the 2024 session, an expectation for a monthly average enrollment rate of 40,000 people in the Medicaid Expansion program. As of November 2024, a monthly average of 27,158 people have been enrolled in the Medicaid Expansion program. The enrollment rate for Medicaid Expansion has been going down since the beginning of FY 2025.

### Child Care Block Grant

- Increase of **\$8,485,298 in federal fund expenditure authority** for utilization of the Child Care Block Grant. The Child Care Block Grant is a program to provide subsidized child care for low-income parents to qualified providers.

### Department of Social Services Utilization Adjustment

- Decrease of **(\$19,500,000) in general funds** for utilization adjustments.
- Decrease of **(\$17,000,000) in federal fund expenditure authority** for utilization adjustments.

DSS is reducing utilization estimations across several units, including economic assistance, medical services, the Human Services Center, child protection services, and community behavioral health.

### Utilities

- Increase of **\$65,897 in general funds** for utility cost expenses. This is based on an estimation of current utility usage and a projection of future utility usage of the Human Services Center.