

# **SOUTH DAKOTA BOARD OF REGENTS**

## **Budget and Finance**

**REVISED**

**AGENDA ITEM: 8 – A**

**DATE: December 7-8, 2022**

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### **SUBJECT**

**FY24 Governor's Recommended Budget**

### **CONTROLLING STATUTE, RULE, OR POLICY**

[SDCL 4-7-7](#) – Annual Budget Estimates Submitted by Budget Units

[SDCL 4-7-9](#) – Preparation and submission of budget report to Legislature

### **BACKGROUND / DISCUSSION**

On the first Tuesday of every December, the Governor presents the recommended budget for the next fiscal year to the State Legislature and the public. Governor Noem gave her FY24 budget address on Tuesday, December 6, 2022, at 1:00 pm. In the address, Governor Noem stated that South Dakota ended FY22 with a record-breaking budget surplus of \$115.5 million and through the first four months of FY23, early indications show receipts beating revenue projections. With these increased general fund revenues, the FY23 revenue projection has been revised to account for a \$202.8 million increase; though the FY24 revenue forecast for ongoing receipts is lower by \$69.4 million due to the proposed elimination of sales tax on groceries.

The Governor is also recommending a 5% market adjustment for state employees, an increase for state employee health insurance, and targeted increases for specific job classes for FY24.

### **IMPACT AND RECOMMENDATIONS**

#### **Base General Funding**

The Governor is proposing a base general fund increase of \$10,914,220 for the Board of Regents (BOR). The proposed increase includes a \$4,043,762 base increase for maintenance and repair funding, to get to 1.75% of replacement value; \$1,971,852 in additional funds to provide reimbursement for free tuition for South Dakota National Guard members; \$1,228,194 for system-wide utilities increases, and a reduction of \$2,538 for the critical deferred maintenance lease payment. Additionally, a base transfer of \$3,672,951 in general funds from the Governor's Office of Economic Development (GOED) research budget to the BOR is recommended to streamline the research funding process. Further details are found in Attachment I.

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**INFORMATIONAL ITEM**

Proposed FY23 General Bill Amendments

Also included in the Governor's recommended budget are amendments to the FY23 General Bill which would allocate one-time general funds for a number of system requests: \$5,106,000 for system-wide cybersecurity upgrades to help address potential cyber threats and \$366,876 for system-wide utilities adjustments.

Proposed FY23 Emergency Special Appropriations

An additional \$6,750,000 is also recommended (\$2,750,000 for SDSMT's Mineral Industries Building, \$3,000,000 for SDSU's Bioproducts facility, and \$1,000,000 for SDSU's Dairy Unit) to address inflationary construction cost overruns and assist the campuses in completing these projects as legislatively authorized.

**ATTACHMENTS**

Attachment I – FY24 Budget Request Summary – Governor's Recommended

South Dakota Board of Regents FY24 Board of Regents Request and Governor's Recommended				
	Base General Fund	FTE	Base General Fund	FTE
<b>FY23 Base General Fund Budget</b>	\$258,374,288	5,082.9	\$258,374,288	5,082.9
<b>Priorities</b>	<b>Requested</b>		<b>Recommended</b>	
System - Tuition Freeze	\$8,592,579	0.0	\$0	0.0
System - Additional General Fund Maintenance and Repair	\$7,155,427	0.0	\$4,043,762	0.0
BOR Office - Transfer Research Budget from GOED	\$3,672,951	0.0	\$3,672,951	0.0
System - Reimbursement for Free Tuition for SD National Guard Members	\$0	0.0	\$1,971,852	0.0
<b>Base Budget Maintenance</b>				
Utilities Adjustment	\$1,228,194	0.0	\$1,228,194	0.0
Lease Adjustment	(\$2,538)	0.0	(\$2,538)	0.0
<b>FY24 Requested and Recommended</b>	\$20,646,613	0.0	\$10,914,220	0.0
<b>FY24 Total Base Funding Recommended</b>	\$279,020,901	5,077.9	\$269,288,508	5,077.9
<b>Increase without Salary Policy</b>	7.4%	-0.1%	4.1%	-0.1%
<b>One-Time General Fund Requests</b>				
System - Support for Rising Construction Costs	\$29,000,000	0.0		
SDSMT - Mineral Industries Building			\$2,750,000	0.0
SDSU - Bioproducts Facility			\$3,000,000	0.0
SDSU - Dairy Unit			\$1,000,000	0.0
System - Cybersecurity Upgrade	\$8,125,820	0.0	\$5,106,000	0.0
System - Deferred Maintenance and Repair	\$32,599,000	0.0	\$0	0.0
System - Utilities Adjustments	\$366,876	0.0	\$366,876	0.0
<b>FY24 Tuition Fund Authority Requests</b>				
Authority Changes	(\$1,600,000)	(4.0)	(\$1,600,000)	(4.0)
<b>FY24 Federal and Other Fund Authority Requests</b>				
Authority Changes	(\$1,400,000)	(1.0)	(\$1,400,000)	(1.0)
<b>FY24 Informational Federal and Other Fund Authority Requests</b>				
Authority Changes	\$500,000	0.0	\$500,000	0.0

\* The Governor is recommending an FY23 Emergency Special Appropriations for this one-time funding request.

\*\* The Governor is recommending FY23 General Bill Amendment for these one-time funding requests.