

The background of the slide features a photograph of the South Dakota State Capitol building. The image is taken from a low angle, looking up at the ornate, light-colored stone facade. The words "SOUTH DAKOTA" are visible on the building's cornice. The sky is a clear, pale blue with a few wispy clouds.

GOVERNOR LARRY RHODEN

2025 Budget Address

Core Budget Principles

This is the people's money – not ours.

We balance our budget, every year, and don't spend money we don't have.

We don't spend one-time money on ongoing expenses.

We use one-time dollars to pay debt and invest for the long-term.

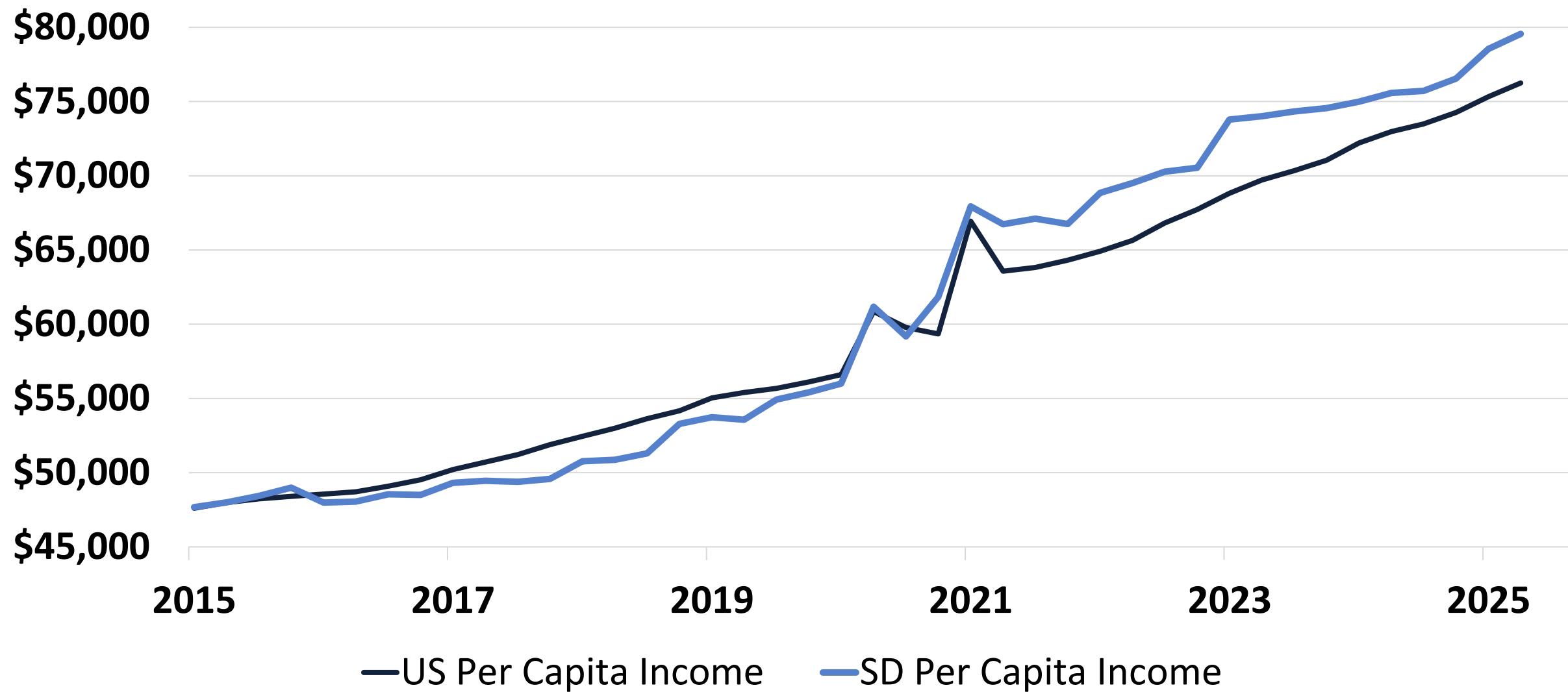
We conservatively project revenue and expenses.

We maintain reserves of at least 10% for emergencies.

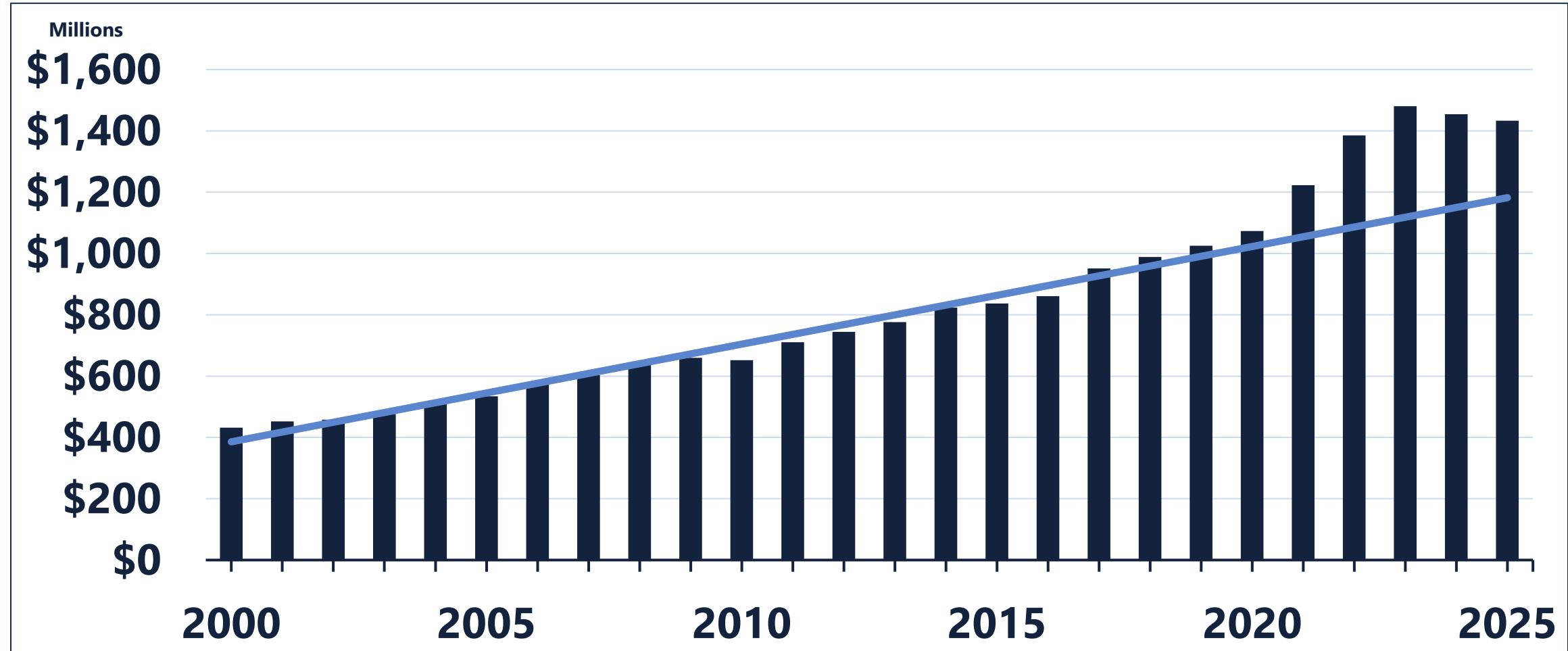
We fully fund our pension plan and protect our AAA credit rating.

Economic Overview

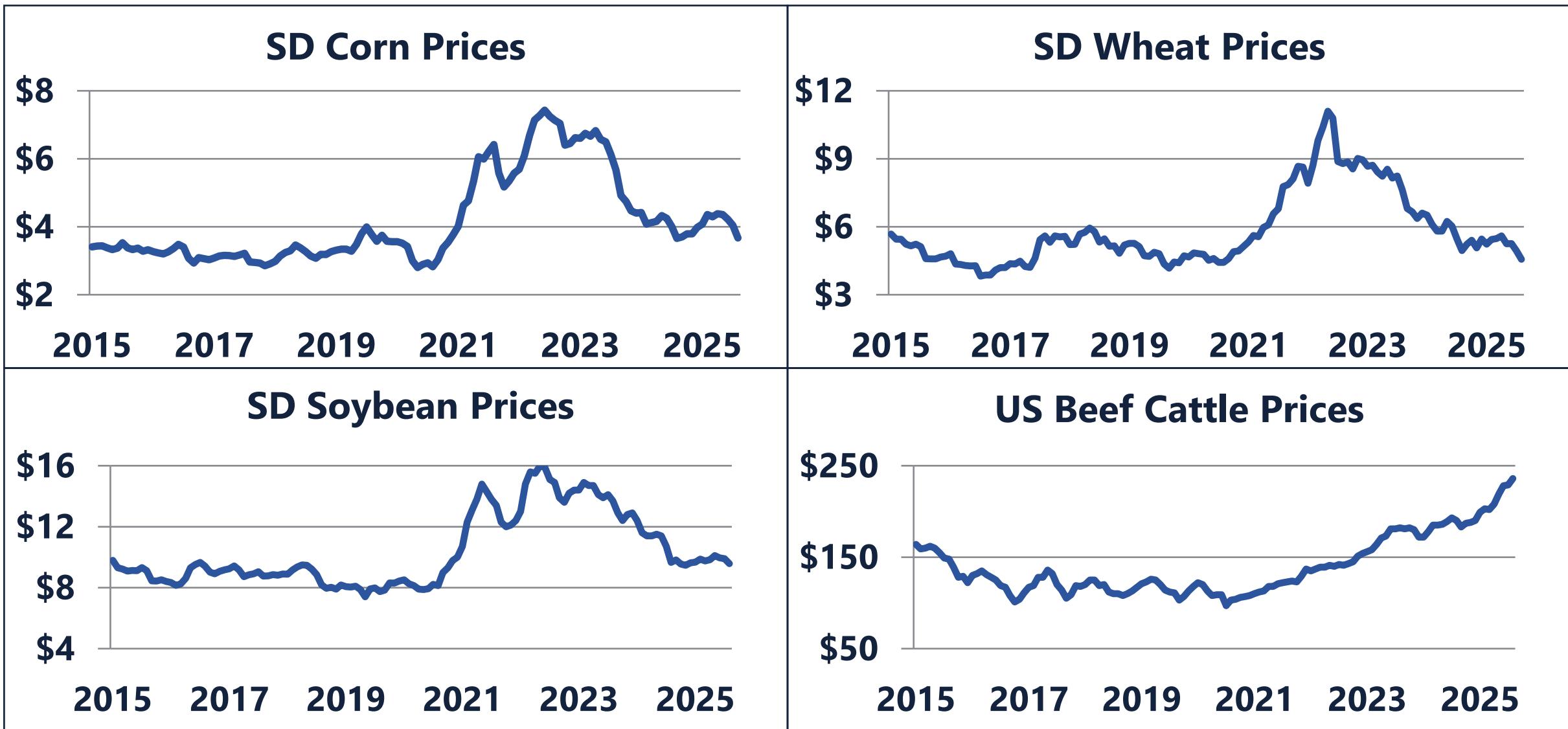
Per Capita Income Comparison



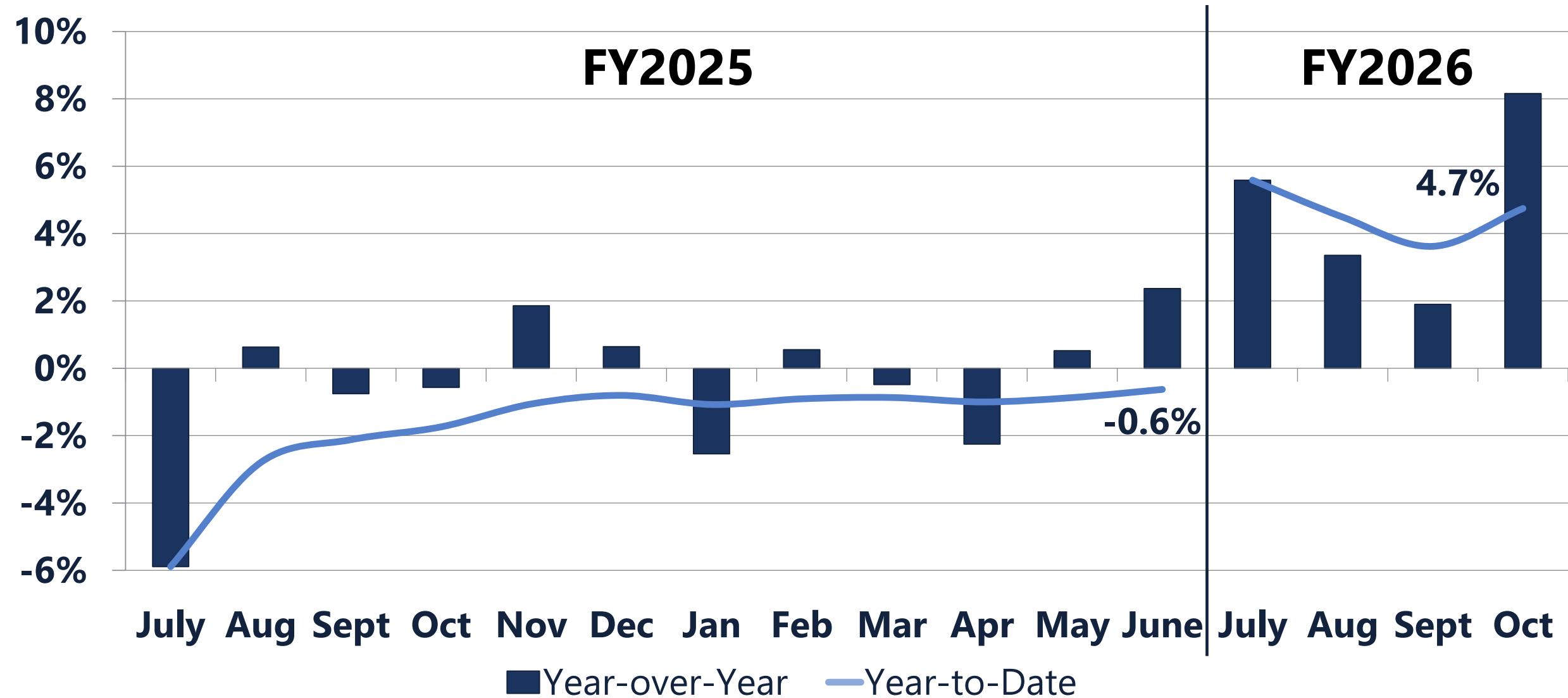
Historical Sales Tax Collections



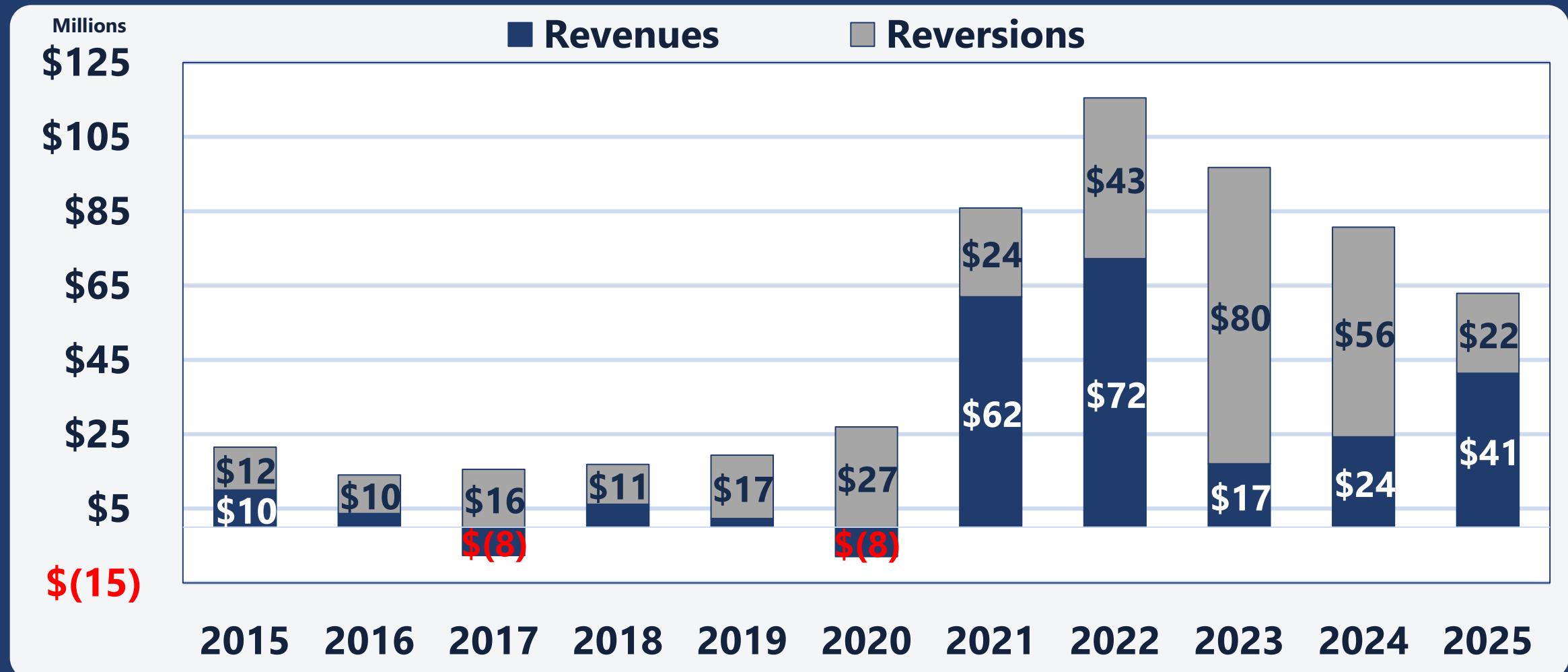
Commodity Prices



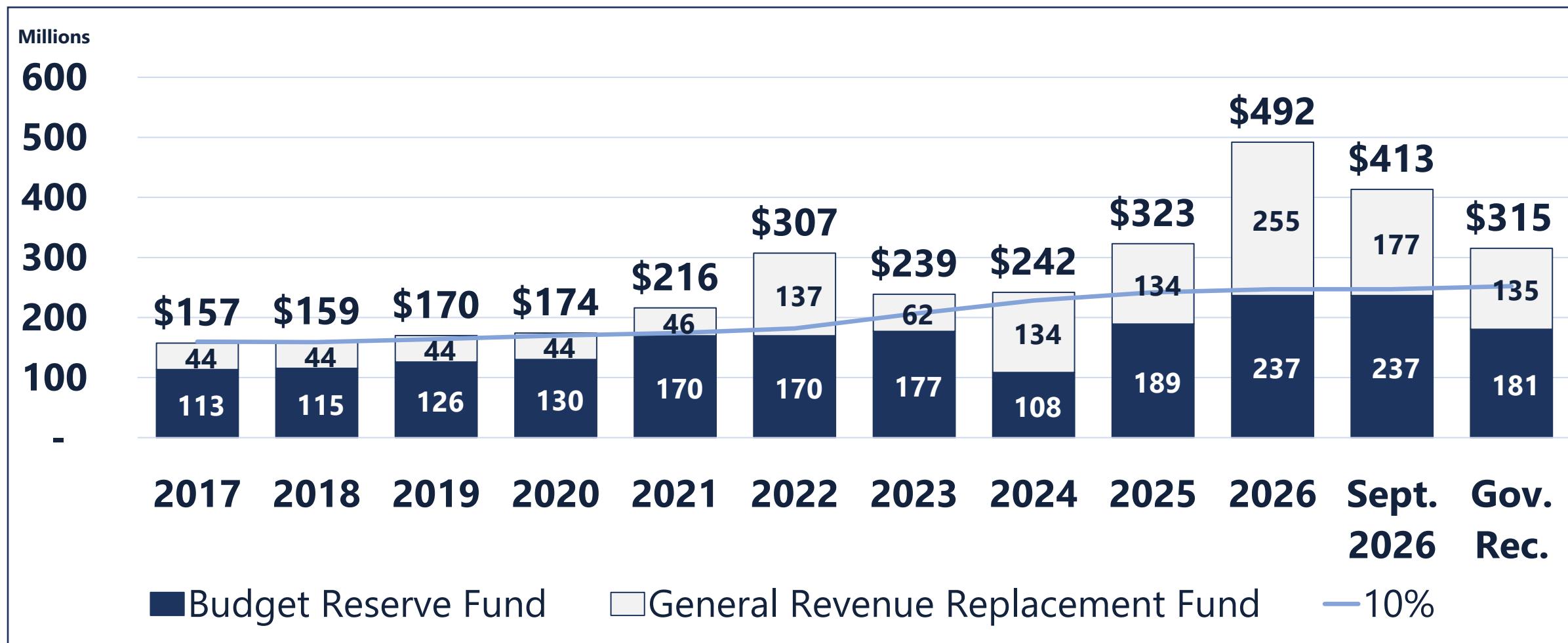
Ongoing State Sales and Use Tax



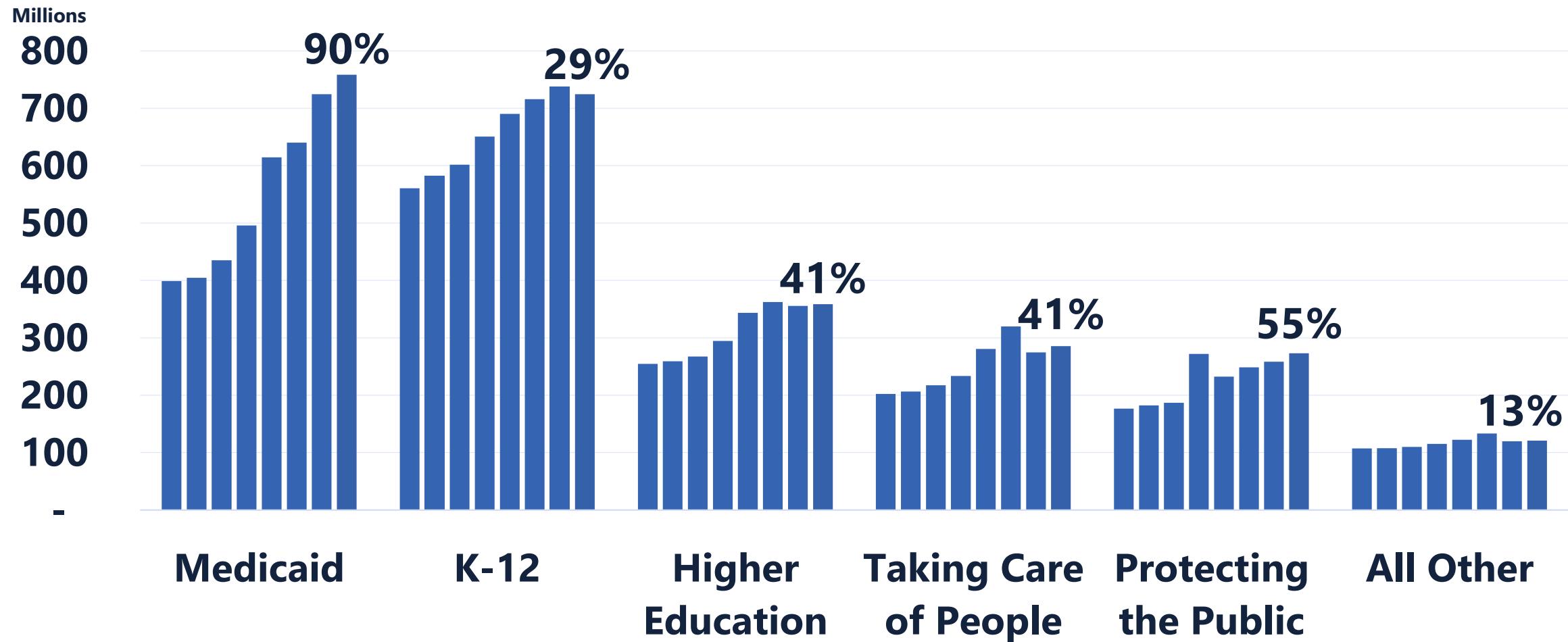
Historical Year-End Surplus



Rainy Day Fund



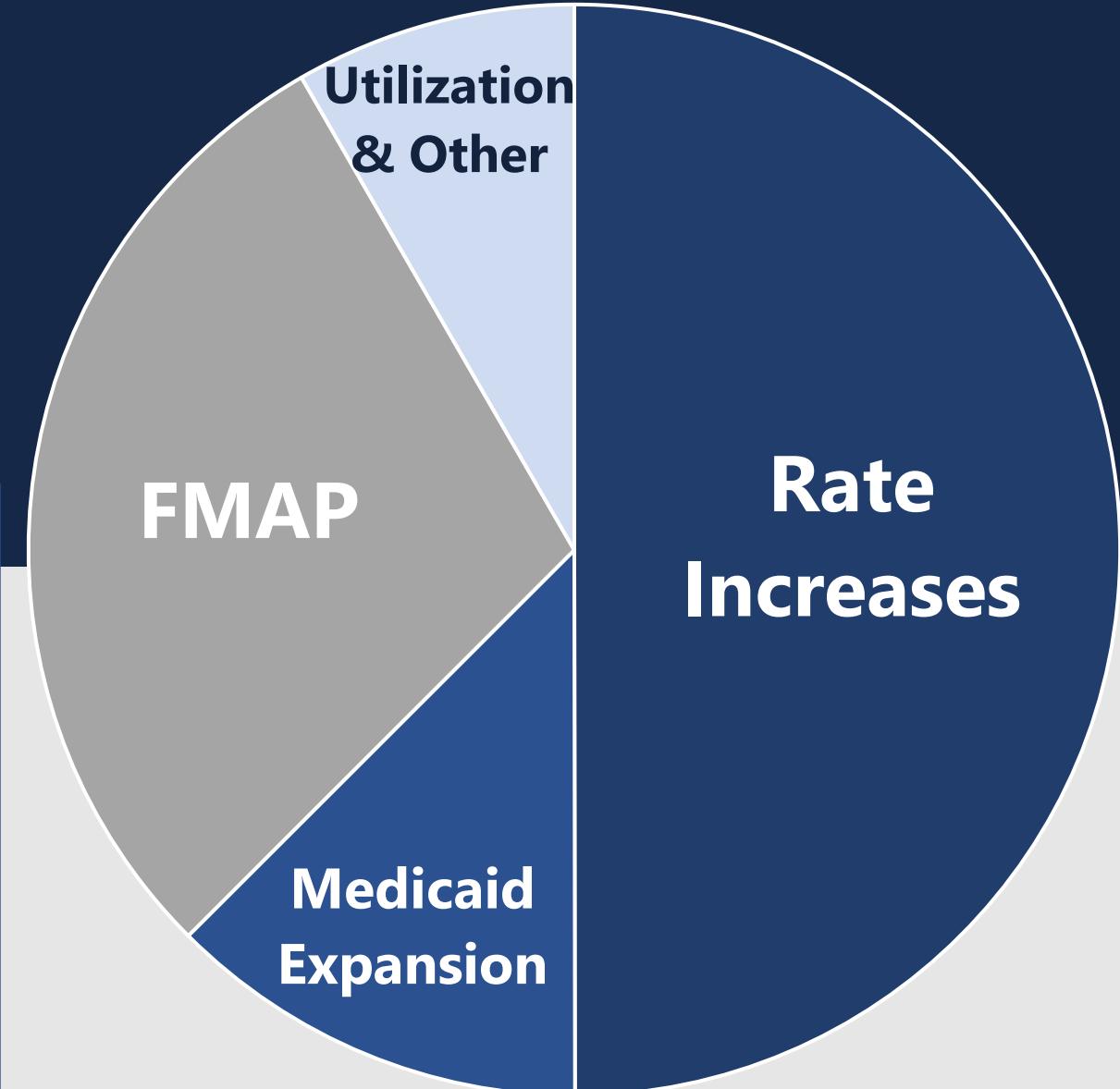
Budget Growth by Category Since 2020



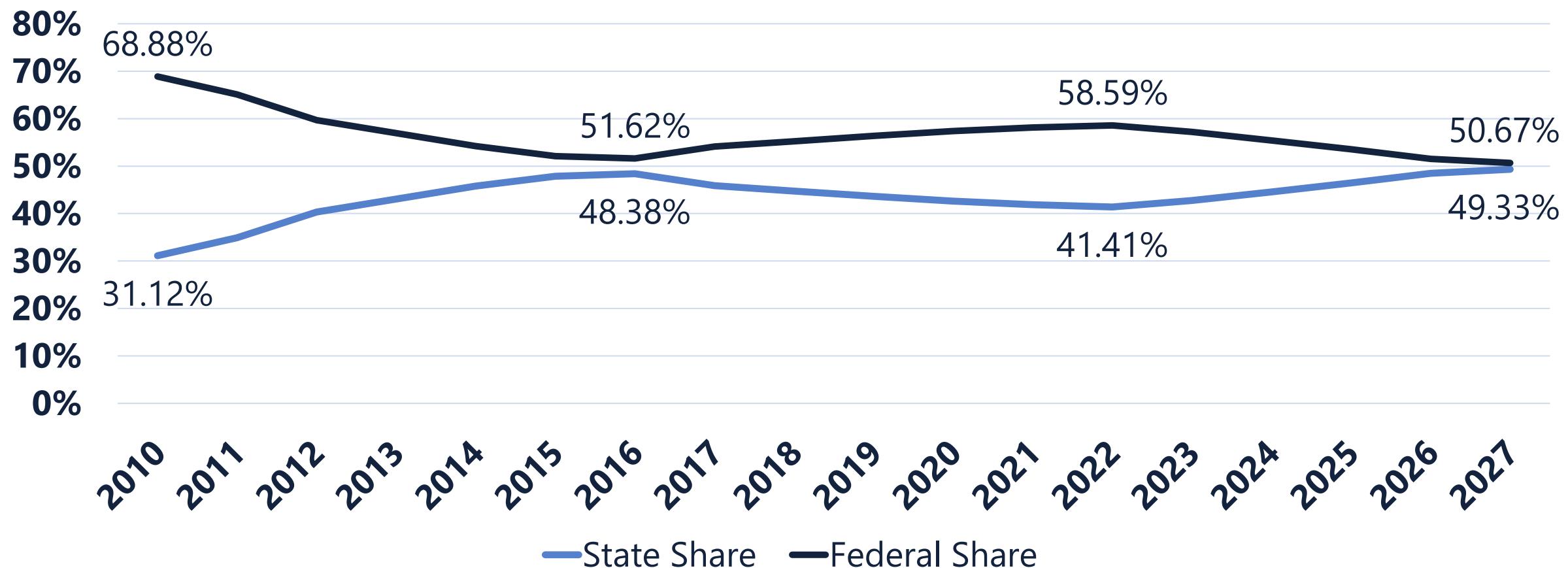
Growth in Medicaid

Growth of \$360 million since 2020

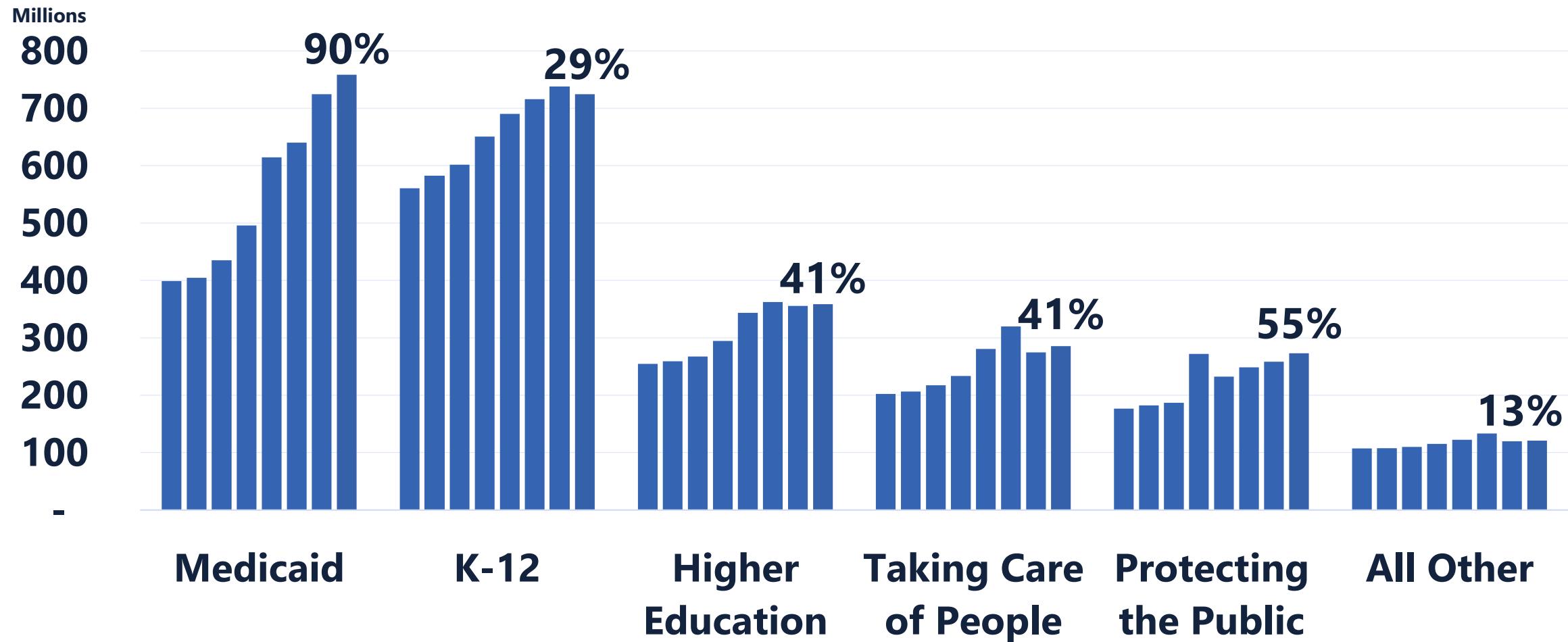
- Over \$180 million in provider rate increases
- State's share in the required FMAP represents \$105 million
- \$45 million for Medicaid expansion



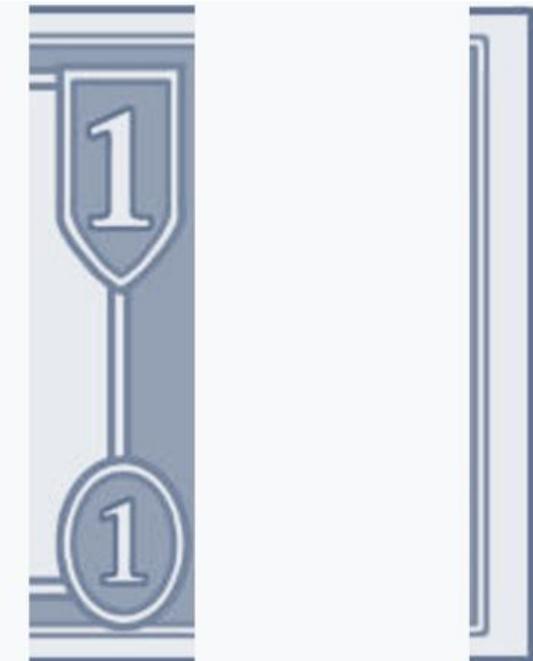
Title XIX Medicaid FMAP History



Budget Growth by Category Since 2020



Where Your Tax Dollars Go



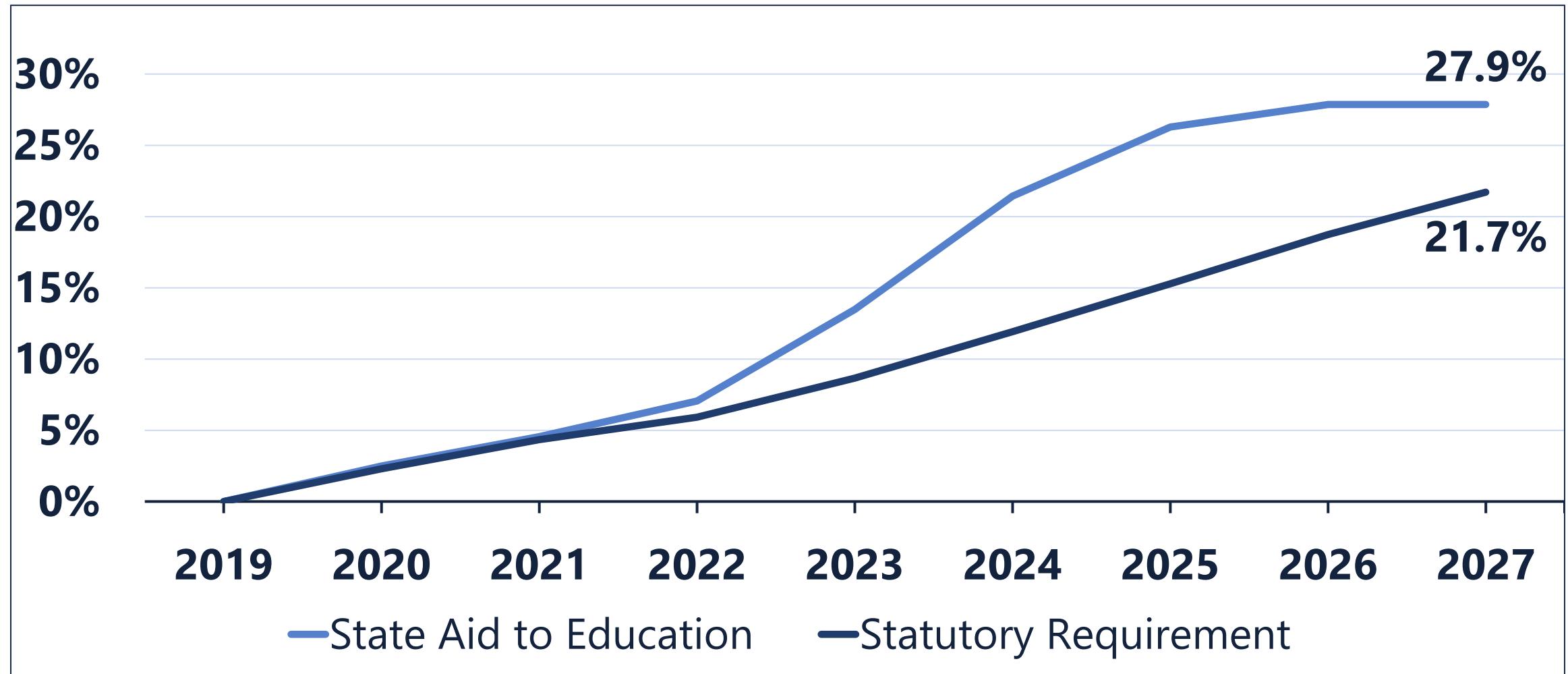
44¢
Education

41¢
**Taking Care
of People**

11¢
**Protecting
the Public**

4¢
**Rest of
State
Gov't**

Education Growth

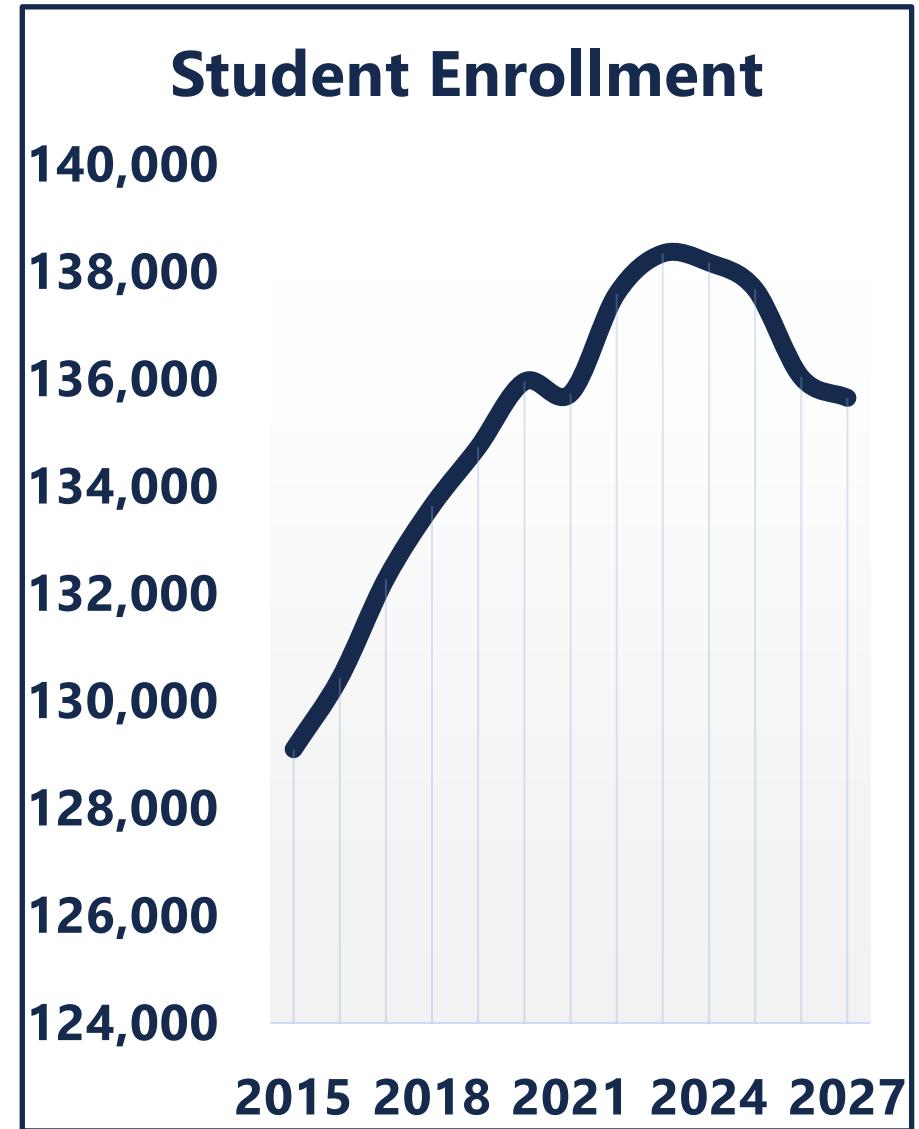


Key Drivers Impacting Education Funding

- Enrollment declining since 2023
- 9% decrease in the number of births since 2015
- 216% growth in alternative instruction since 2015

Special Education
Increase of \$2.9 million to align with two-year rebase

General Education
Decrease of \$15.7 million to align with student enrollments



A large, ornate building with a prominent dome and columns, representing the South Dakota State Capitol. The image is faded and serves as a background for the title text.

GOVERNOR LARRY RHODEN

2025 Budget Address

FY2026 Adopted vs. FY2026 Revised

Revenue Category	Adopted FY2026	Revised FY2026	Change
Sales and Use Tax	1,504.8	1,496.1	(8.6)
Lottery	184.5	183.6	(0.9)
Contractor's Excise Tax	219.2	219.1	(0.1)
Insurance Company Tax	147.2	152.5	5.2
Unclaimed Property	61.4	61.4	0.0
Licenses, Permits, and Fees	76.5	76.8	0.3
Tobacco Taxes	42.7	40.8	(1.8)
Investment Income and Interest	81.7	72.1	(9.5)
Other Ongoing Receipts	<u>152.0</u>	<u>160.3</u>	<u>8.4</u>
Total Ongoing Receipts	\$2,469.8	\$2,462.8	(7.0)

Original Adopted Ongoing vs. Actual

Fiscal Year	Original Adopted	Actual Collections	Difference
2017	1,598,139,847	1,540,793,973	(57,345,874)
2018	1,590,098,880	1,593,405,861	3,306,981
2019	1,641,545,684	1,641,203,288	(342,396)
2020	1,701,244,640	1,699,623,137	(1,621,503)
2021	1,742,576,075	1,936,198,459	193,622,384
2022	1,833,313,439	2,126,409,366	293,095,927
2023	2,066,144,668	2,298,290,062	232,145,394
2024	2,284,242,616	2,413,309,338	129,066,722
2025	2,419,492,537	2,380,549,081	(38,943,456)
2026	2,469,823,473	2,462,776,640	(7,046,833)

*2026 Actual Collections are based on Governor's Revised Estimates.

FY2026 Revised vs. FY2027 Recommended

Revenue Category	Revised FY2026	Recommended FY2027	Change
Sales and Use Tax	1,496.1	1,556.4	60.3
Lottery	183.6	184.6	0.9
Contractor's Excise Tax	219.1	225.8	6.6
Insurance Company Tax	152.5	159.3	6.8
Unclaimed Property	61.4	58.0	(3.4)
Licenses, Permits, and Fees	76.8	77.7	1.0
Tobacco Taxes	40.8	38.9	(1.9)
Investment Income and Interest	72.1	58.1	(14.0)
Other Ongoing Receipts	<u>160.3</u>	<u>162.7</u>	<u>2.4</u>
Total Ongoing Receipts	\$2,462.8	\$2,521.4	\$58.7

Ongoing Revenue Available

	FY2027
FY2026 Revised Revenue Shortfall	(7,046,833)
FY2027 Projected Revenue Growth	<u>58,662,063</u>
Total Ongoing Revenue Available	\$51,615,230

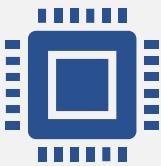
A faded, light gray background image of the South Dakota State Capitol building in Pierre, South Dakota. The image shows the ornate neoclassical architecture of the building, including its dome and columns. The words "SOUTH DAKOTA" are visible on the pediment of the building.

STRONG. SAFE. FREE.



Keeping South Dakota Strong

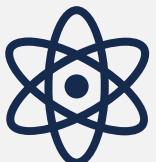
Governor's Resilience and Infrastructure Task Force



\$10 million for hardening systems and equipment to guard against service outages



\$0.3 million for cloud-based backup to the state radio system for public safety



\$0.3 million for nuclear energy study to ensure flexible and stable energy supply



Keeping South Dakota Strong

Maintenance and Repair





Keeping South Dakota Strong



Keeping South Dakota Safe

Rapid City Correctional Facility

\$13.2 million and 133.0 FTE

Security

\$8.3 million and 96.0 FTE

Healthcare

\$5.7 million and 23.0 FTE

Administrative and Programming Staff

\$2.8 million and 20.0 FTE

Decommission Pierre Minimum Center

Decreases of \$3.6 million and 6.0 FTE

Military Construction Projects

Expand and renovate
the Sturgis Readiness
Center

**\$2.4 million in general funds
\$8 million in federal funds**

Construct new Sturgis
Vehicle Maintenance
Shop

\$30 million in federal funds



Keeping South Dakota Safe

A large, ornate building with a prominent dome and columns, identified as the South Dakota State Capitol. The building is light-colored and features intricate architectural details. The dome is topped with a statue. The words "SOUTH DAKOTA" are visible on the side of the building.

Keeping South Dakota Free

Airports



Repurpose \$65 million of funds remaining for workforce housing development and transfer to REDI fund



\$30 million in loans to the Rapid City and Sioux Falls airport for expansion projects



Remaining funds used for loans to support economic development

Technical Colleges

\$6.0 million in one-time funds for the Center for Advanced Manufacturing at Southeast Technical College

\$4.3 million in one-time funds to purchase equipment in key programs at all four technical colleges

\$1.7 million in ongoing funding for increase in rising enrollments



Rural Health Transformation

Strengthen Rural Healthcare

- \$500 million over the next five years
- Support for sustainable infrastructure, workforce, and care delivery systems

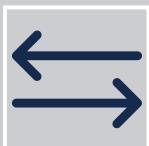
Investments with Long-Lasting Impact

- Modernize technology and expand telehealth
- Recruit and retain healthcare providers
- Help rural hospitals and clinics remain financially stable

Broadband



\$173.5 million in state and federal funding since 2019



Projects matched with over \$129.6 million in private investment



Additional \$87.0 million in federal funds available through the BEAD program

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