

STATE OF SOUTH DAKOTA
FISCAL YEAR 2007 BUDGET ADDRESS
PIERRE, SOUTH DAKOTA
DECEMBER 6, 2005
GOVERNOR M. MICHAEL ROUNDS

Thank you very much.

Today, in South Dakota, our hearts and our prayers go out to the families of two of our own National Guard soldiers who were killed in Iraq on Sunday and also to the families of three soldiers who were injured.

Sergeant First Class Richard Schild of Tabor and Staff Sergeant Daniel Cuka of Yankton both of whom were killed when explosive devices detonated near their Humvees while enroute to an Iraqi Police Station.

Sergeant Corey Briest of Yankton, Specialist Allen Kokesh of Yankton and Private First Class Warren Bender of Redfield were also injured in the same attack.

Would you please stand with me and let us take just a moment of silence for these brave men and their families and for all the soldiers who have died or who have been injured preserving and protecting our freedom and bringing new freedom to over 50 million people around the world.

We will never forget them and we will always be grateful for their sacrifice and their service. Thank you.

Ladies and gentlemen, in the last 8 days, we had the worst winter storm in a long, long time. The devastating impacts are still with us, and we are still recovering.

At its worst, the blizzard and ice storm knocked out power to more than 56,500 customers in 157 communities and in many rural areas of South Dakota. More than 11,100 power poles have been damaged or destroyed—10,250 of these belong to the rural electric cooperatives. More than 10,000 miles of power lines have been impacted. Eighteen of the state's 29 distribution cooperatives experienced outages. At the peak, 69 emergency shelters were open, housing over 1,000 people. I-90 was closed from Kadoka to Sioux Falls and at the same time I-29 was closed from Sioux Falls to the North Dakota line. In fact, working in conjunction with North Dakota, they closed from the North Dakota line all the way to Fargo at

the same time. Eighty seven of East River Electric's substations were off-line for at least some period. They're part of the East River Electric grid, which supplies power to numerous rural electric cooperatives in eastern South Dakota. At one time or another, 18 hospitals were on back-up power, 17 nursing homes were on back-up power, and 6 assisted living centers had no power. To deal with all these problems, the State Emergency Operations Center has been operating 24-hours a day since Monday, November 28.

Today, here is what I can report to you. Power has been restored to more than 51,500 customers in 153 communities—that's 91 percent of the power that was out has now been restored. Eighteen of those communities are operating on emergency generator power as we speak. Rural electric cooperatives have repaired or replaced over 3,400 poles. Fourteen shelters are still open and available. They're housing 52 people (last evening). Fourteen hundred households were contacted in Operation Door to Door. Another 547 rural households were called by phone to make sure they were safe. More than 250 farms and ranches were visited by Game, Fish and Parks personnel to make sure the people there were safe. Fifty-eight of the 87 impacted East River substations have been re-energized. All hospitals, nursing homes, and assisted living centers are back up on commercial or generated power. The preliminary eligible damage figure is over \$18 million, not including state or tribal expenses. Twenty-five counties appear to qualify for federal disaster aid at this time. Our State Emergency Operations Center is still operating 24-hours a day.

I have nothing but the highest praise for everyone involved in battling this severe winter storm. Local government, state government, the private sector and the public have all worked together, neighbor-helping-neighbor and stranger-helping-stranger in thousands of ways over the last 8 days.

I don't want to single out any one group, but I feel we must salute one particular group. Here we are inside, feeling warm and feeling safe. But, for the last week, there have been hundreds of men and women working 18-hour and longer shifts outside in the bitter cold, day and night, restoring electricity to over 150 communities and rural areas in eastern South Dakota. And, even today, they are still out there in even colder temperatures working. For those men and women and for all the people who have done so much the last 8 days, let's give them all a round of applause.

Now, I have one more thing that I think we should talk just a little bit about before I actually start with our budget presentation. There's one slide that's not included

because we don't have the information yet and Congress hasn't taken their normal action yet.

Due to a variety of reasons, such as the storm, extremely cold weather, increased applicants and increased fuel costs, we are very concerned that the federal money appropriated to South Dakota for the Low Income Energy Assistance Program called LIEAP may not be adequate. Congress is debating the issue right now. We will continue to monitor the progress and will continue working with our congressional delegation. However, if Congress fails to address this urgent need, I may be back during the session to ask for additional state funding to help the neediest of our South Dakota families stay warm.

With that, let's talk about our budget for the coming year. In the past, we've started with a series of highlights and I'd like to briefly go through these with you. First and foremost, this budget is based upon a growing economy. But our expenditures are based upon doing our best to meet the basic needs of our people—taking care of them, protecting society from those who would do us harm and educating our children because they are our future. We also want to continue to reduce our property tax levies. As valuations rise, we want to reduce the tax rate. And, we continue to work toward reducing that structural deficit in which our on-going income is rising at a faster pace than our on-going expenses. And, as we move forward with that, we will eventually have more on-going income than what our on-going expenses will be. Once again, we are doing this without any new taxes being proposed for the third year in a row.

Let's talk about the economy a little bit. Why? Why is it a healthy economy? Well, first of all, we've got a great consumer demand right now. The sales and use tax, which is an evidence of people spending money, right now our sales and use tax is up 7.2 percent year-to-date in this fiscal year. The historical average is 6 percent. The contractors excise tax is up 15.6 percent year-to-date. The historical average here is 6 percent. The year-to-date vehicles titled is 4.7 percent. The historical average is only 1.9 percent. Housing starts have increased for the last 7 years and for the first half of this year are up 3.6 percent. Under employment growth—it's an evidence of an economy which is moving—last year we increased by 5,100 jobs. The job market continues to strengthen. In the first 10 months of this year, it's up 1.7 percent, or 6,400 jobs. This 1.7 percent increase is the best growth in the last 5 years.

But along with that, and there are more things in this that are making some improvements in our economy and we wanted to bring some highlight to those as

well and the ag sector, in particular, the production levels are looking very good. Sometimes when we talk about—we talk about either we've had a good crop but poor prices. Sometimes we've had good prices but a bad crop. This year what's going on is that we have good corn production and the forecast is for over 485.85 million bushels of corn and soybean production forecast at 138.6 million bushels. Both are better than average. The September 1st inventory of all hogs and pigs is up 12 percent from 2004. And on November 1st, in looking through the inventory of those feeding operations with a capacity of more than 1,000 head, they reported 161,000 cattle on feed for slaughter. This was up 31,000 head from October and down 8,000 head from 1 year ago and that is the lowest reported inventory in the last 5 years. That suggests there may be a better price for those cattle and that we do not have more cattle than what might be in demand in the future. High cattle prices—I will tell you right now that our cattle prices have remained strong during this fiscal year.

We've also got some other things going on for us right now and part of it has to do with the 2010 Initiative. I'm going to get into that in just a little bit. But I also wanted to talk a little bit about the fact that without having any tax increase for the third straight year, offers some stability with regard to individuals looking at doing new business within our state and so forth because they see a stable form of government within our state and a good place to do business. There are some risks though. Those risks are first of all that we do have high gas prices and even though the price for gasoline—unleaded and ethanol—has fallen, natural gas prices are still very high. This will cut into the disposable income of individuals that might otherwise have a few more dollars in their pocket but instead it's going to go to heat their homes and so forth. The Federal Reserve is also expected to continue to increase the federal funds rate and when they do, that will raise interest rates. This could dampen the economic growth that we have had. I will also tell you, ladies and gentlemen, the economic improvements we've seen during this portion of the fiscal year for the first several months are not historical in nature—they are not normal in nature—and we did not use them as the basis for the next year's revenue. We countered that and looked back at a more historical improvement but a very positive movement and so these trends we do not believe can simply be counted on to continue in the way they have. We also don't know right now what this weather is going to do to us and we don't know how long this severe winter weather will stay with us. We do know that, in some cases, it improves consumer purchases because they need additional equipment—snow blowing equipment, shovels, cold weather clothing and so forth, but we also know that it dampens the average consumer's interest in going out to purchase items, so we're a little hesitant to suggest to you that these very large increases will continue in the next

year, and we have not relied upon them in offering our revenue forecast for the coming year.

I would like to, at this time, talk a little about the 2010 Initiative results so far. In 16 months, the state's \$2.8 million investment in four research centers has had a \$21.4 million economic impact within our state. We've leveraged the dollars that you have entrusted to us in order to bring in federal dollars and grants from private organizations into our state that keeps young people here but it's money that will turn over within our economy rather than in someone else's economy.

We're also halfway to our #2 goal of the 2010 Initiative of an increase in our gross state product by \$10 billion by the year 2010. We started measurements at \$24.1 billion and our goal was to get to \$34 billion. From 2001 to 2004, our gross state product has increased \$5.3 billion. So in 3 years of measurement in this 7-year plan, we have already reached the halfway mark.

Visitor spending? It's a record high of \$752.2 million last year, an increase of \$54.2 million. And, in 2004, the growth was 7.8 percent. This was 1 percent higher than average growth rate since 1997.

Well, where do we get the money for the budget we are proposing? Where do the citizens of this state pay taxes that we will ask you to spend in an appropriate manner? Sales and use tax is the largest portion of it, and it will go up—look we've talked about this—we're going to estimate that it's going to go up 5.6 percent. We are not using the amount so far this year of 7.2 percent because we don't think that would be responsible or realistic. If it does, that's fine. But if it does not, we would end up with a larger deficit. So we're estimating. We believe that it will end up somewhere in the 5.6 percent range in the coming year. We believe it's aggressive, but we do not believe that we are being overly optimistic.

The contractors excise tax. In the first few months of this year, it was growing at 15.6 percent. That cannot be counted on to continue. But we do believe that we can count on about a 5.9 percent increase and we believe that would be appropriate.

The insurance company tax will run in at about 7.8 percent in our current budget estimates. Right now, in a simple way to explain it, for every one penny in our state sales tax that we collect, and we have a 4-cent state sales tax, we expect to get \$150 million for each one of four pennies, for a total of \$600 million in sales taxes

and use taxes collected. That's up by \$31.7 million from last year and is the largest single increase in our budget revenue estimates.

There's one item on here I would also like to—as you look back through this—you will see one decrease in the numbers and that's under the bank franchise tax. Under the '06 numbers, you'll note that we have estimated that we will receive \$44.8 million but in '07 we're only estimating \$41.1 million, a decrease of \$3.7 million. It's not because our bank franchise tax is not stable. It's because of restructuring within one of the organizations. We received a significant one-time payment as they had to recognize additional income coming in as they restructured. We do not expect that to be repeated again next year. Therefore, the change back to what we believe is a more appropriate number under bank franchise is \$41.1 million in revenues for next year.

Our total general fund revenues we expect to be \$1,064,600.00, an increase in total general fund revenues of \$19.7 million.

Let's take a look at the whole budget and then we'll break it down a little bit into more detail. We expect the total receipts, the total receipts now, not including the money coming in from the reserve fund, which I will ask permission in the amount of \$5.3 million to use in the coming year, we expect that the on-going receipts coming in will be \$1,059,300.00. The expenses for this year we believe will be \$1,064,600.00 and the difference between the two is \$5.3 million. We would ask that you allow us the use of reserve funds for this year of \$5.3 million.

Let's look at how that fits into this and how that will be handled. The reserves, as of today, we have \$42.6 million in our budget reserve account. We have the property tax reduction fund with \$91.5 million. Add it up, and they come up to about \$134.2 million. That's what we normally refer to as our reserve account. Now we have for this year in the '06 cycle and we're half way through this '06 cycle right now, we expect we will use approximately \$26.1 million of that money. The reserves needed for '07 would be \$5.3 if you accept our budget recommendation, meaning that you would be taking out \$31.4 million from our reserves leaving a projected remainder of \$102.8 million. But I want to point out that, for this fiscal year, you have an option, and the option is that the budget reserve fund we are expecting to utilize \$26 million. \$19.9 million of that is for the expenditure, the investment in the Deep Underground Science and Engineering Laboratory location at the Homestake Gold Mine, that you graciously agreed to work with us on in October. You do not necessarily have to take those funds from the general fund and, thus, from the property tax reduction fund at the end of the

year. You now have the option of taking those funds from other locations which would then leave this property tax reduction fund with \$19.9 million more than what this chart shows.

So how do we use this? How did the budget reserves look in that last couple of years and how are we doing on it? Let's take a look at what's happened since fiscal year '04. We began fiscal year '04 with \$106.5 million in our reserve accounts. We transferred from the reserve accounts \$14.8 million for that fiscal year, but we had an addition to the reserves during that year of \$66.3 million, which was a one-time infusion from the federal government—from Congress—recognizing the economy and the recession in the economy and delivering to each of the states money to help with on-going programs that they did not want the states to cut. We spent part of that money and we put the rest of it, by allowing it to work through the state aid to education formula, back into the budget reserve account.

So at the end of '04 we had \$158 million in our budget reserve. We began in '05 with \$158 million. We used \$23.8 million in the '05 fiscal year, ending up with \$134.3 at the end of '05. And, in the current fiscal year that we are in right now, we started with \$134.3 million. If you still decide that you would like to take the money for the underground laboratory from the budget reserve or from the property tax reduction fund, you would be using \$26.2 million of that fund, which would leave us with \$108.1 million to begin the next budget cycle. Using \$108.1 million, we expect to use \$5.3 in the next fiscal year leaving us with \$102.8 in reserves in June of '07 should you decide to do that.

Now, during this legislative session, we have already discussed this and we talked about it during the special session, you may decide that you would prefer to take the \$19.9 million for the laboratory from another source—perhaps one of our trust accounts which only takes a majority vote. And, if you do, you would be able to add back in about \$19.9 million, increasing the balance in the reserve accounts up to \$122.7 million at the end of the fiscal year '07 time period.

Our goal is to eliminate the structural deficit. Beginning back in fiscal year '03, we had an actual structural deficit of \$36.1 million. We used that amount of money from our reserves. In '04, we had a \$26.8 structural deficit. In '05, we had a \$21.7 deficit and used the funds. In '06, we had projected—this year we had when you left session—a projected \$16 million deficit that we would be drawing from the reserves. If you accept our proposal for this year's budget, we will have a budget deficit this year of \$5.3 million. We are on track to eliminate that deficit

and to be in the black next year. We will have cut the deficit over \$30 million from '03 through '07 and, by the way, just so that you know, we are projecting right now that the '06 deficit, should you first of all decide to use trust fund monies for the laboratory, we project right now that your '06 deficit will be reduced from \$16 million to \$8.2 million.

Revenues are good. But now let's talk about where we responsibly spend the dollars that the taxpayers of South Dakota have entrusted with us. We'd like to lay this out in a manner that we have been doing since '03. We will break these out into major spending categories—taking care of people, protecting society, education and the rest of state government. There will also be a specific note of carryover of education dollars from last year to this year. We expect that the total changes in the budget from last year to this year will be \$49 million. Once again, we're talking about the general fund aspects of our state's budget.

When we talk about taking care of people, we're talking about the services, employee compensation and so forth, but the actual cost of the following types of services—all Medicaid expenditures, Social Services, Human Services and Health. They will account for approximately 56 percent of the increase. When we talk about taking care of people and we say it's going to be \$27 million, let's first of all define what it's for—what's going on with it and why we would spend \$27 million on those services.

Here's what's going on right now and who benefits from this improvement. The federal match rate and the cost of provider inflation are important enough to where we've broken out separate slides for them. So what I would like to do is to have a separate slide for each one of them to show you in just a minute. I want to talk a little bit about just exactly who is the recipient of these substantial increases in state and federal aid. The people that benefit from our participation in Medicaid and in the participation with the other medical services as provided within federal programs include the following: Under the direction of the Department of Social Services—nursing facilities, inpatient hospitals, physician services—but also some areas that we sometimes forget about. These are the providers of out of home care for foster children, in home services for the elderly, Children's Health Insurance Program (the CHIPS program), elderly nutrition, assisted living, screening for children, the tribal contracts for child protection services and early childhood enrichment contracts.

When we talk about the Department of Human Services, they allow for and distribute the payments for the adjustment training centers located throughout the

state, the family support programs, community mental health centers, alcohol and drug abuse provider agencies, assistive daily living services, guardianship representatives.

Under the Department of Corrections—the juvenile and adult services for group and residential providers. Those are the folks that are the recipients of the increases in the dollars we are talking about today.

Under this particular slide, we've talked about Medicaid growth of and the growth in CHIP—that amount is going up by \$3.3 million in this budget plan. That's actually a good number and it's a good number that we wanted to share with you because it's actually changed a little bit over the last couple of years from significant increases. The projected growth of 1,632 Medicaid clients is 1.8 percent in growth. The 6-year average growth has been 3.9 percent. And the projected growth of 169 children within the Children's Health Insurance Plan is actually lower than what it has been. That's a 1.6 percent growth—the 6-year average growth has been 11.8 percent. So, between Medicaid and the Children's Health Insurance Plan, we are able to provide medical assistance to children whose families are within 200 percent of the poverty level and lower. This is a good plan. It's a plan that means these children receive services where they otherwise might not have access to adequate medical care.

Let's go to the next page. Let's talk a little bit about the huge cost that shows up—and I think it catches everybody's attention—and that's the \$11,114,572 figure that is identified as the federal match rate decrease. Here's what happens. The federal medical match rate for the medical services provided through Medicaid and so forth is calculated by using a 3-year average of South Dakota's per capita personal income versus the national average per capita personal income. The \$11 million shift proves that our incomes and our economy are growing. You see, for the last 2 years, South Dakota has had the second highest per capita personal income growth in the country. So while it's a good indication of our economy moving in the right direction, it also means that we pick up a larger share of the actual Medicaid expenses. The example that we would give you here on this slide is that we did have prior to this a 34.69 percent part of the cost of Medicaid services. But because our income has gone up in South Dakota compared to the rest of the country, we are now going to be required to have a 36.54 percent of the total Medicaid cost, which is a 1.85 percent increase in the total costs of our Medicaid expenditures. The federal government is paying 1.85 percent less. To put it in simple terms, for every 1 percent change, it costs our general fund—the taxpayers

of South Dakota—about \$6 million in taxpayer dollars from within our state rather than federal taxpayer dollars.

Let's talk a little bit about provider inflation. The current forecast for inflation is 1.6 percent but the funding for inflation in this budget we are requesting 3 percent. Now there's a reason for that. This will provide us with general funds of approximately the total 3 percent cost, which is \$10,751,720 in general funds. But the total amount of money that it leverages for providers—those providers that we talked about, the adjustment training centers, the folks that are in nursing homes, and so forth—the actual number of dollars being brought into our state is \$27,860,607 in total funds. What will it do? And the reason we are asking you to approve a higher than current inflation rate for these providers is because it will help us to preserve access to health care especially in our rural areas where our providers, in many cases, are struggling. It will avoid cost shifts to private pay individuals because with regard to some of our medical providers, if they take care of someone who is on Medicaid today and if we don't have adequate repayment to them for the costs of their services, and they simply pass on that cost with a higher price for other individuals who have private pay insurance. The difference here is that if we put it through our Medicaid budget, then the federal government picks up about two-thirds of that cost with federal dollars coming in rather than 100 percent of our own taxpayers who have private pay picking up that cost through their increased health insurance premiums. Additionally, this will help to maintain critical Medicaid providers. We've struggled with physicians and with dentists and some other providers simply not being able to handle a larger part of our Medicaid caseload. Since our payment back is not as much as they would receive from other sources, they limit themselves in some cases to a certain percentage of their practice. It has made it more difficult for new Medicaid participants to find Medicaid providers, particularly in some of our rural areas and specifically in regard to some particular specialty types of providers.

Let me go on just a little bit now. These charts, as we work through them, I know that many of you have seen these in the past, but I think it's important that we delve into them a little bit and just review where we begin from. Let's go to protecting society. This includes and accounts for approximately 16 percent of the increase. It includes the following: Corrections, Public Safety, the Unified Judicial System and the Attorney General's Office.

Under protecting society, we're requesting an increase of \$7,680,369. Here are the reasons for the increases. We've lost federal funding, it's called the Byrne grants. That will account for \$1,043,998. The Attorney General gets about \$628,830

which will help to fund the Drug Task Force and Prosecution Task Force. The governor currently in our executive part of the budget receives about \$254,999. In fiscal year '07, this is being used in the Department of Corrections to fund the Living Center staff at Custer. That's what we do with that \$255,000. That has been significantly reduced in terms of the Byrne funds coming from the federal government and we do have a particular slide that I want to show you later on that goes through all the different federal programs that are changing on us and requiring us to look at other revenue sources if we want those programs or projects to continue on.

Also included in this slide, the new DCI building, the bond payment and the space payment, that's \$1,018,016 for the coming year. That's for the new DCI building which was approved several years ago.

Correctional health care is up \$1,008,900 primarily due to higher costs for out source services—that's dentists and doctors that we normally don't have on staff. And it's also because we are projecting an increase in our inmate numbers by 7.5 percent in fiscal year '07.

We also know that Unit D staffing requirements will have to be met. Unit D is the new annex in Sioux Falls at the South Dakota State Prison for medium and maximum security prisoners. For that, we will require 24.7 additional FTE. Unit D will be completely staffed and up and going in April of this year. So part of that expenditure is found in the '06 budget but we'll have a full year's budget impact in '07. So Unit D is scheduled to be operational the first part of April and by next year we will have a full year in which we will have costs associated with it.

The Unified Judicial System's budget increases have been included for your review. They include 6.5 FTE in the amount of \$258,860 and community-based services for juveniles in the amount of \$202,836.

With regard to education, the increase for education, and this amounts to 26 percent of the increase from last year to this year. This includes both K-12 education and higher education, as well. Here's the way it's going to look and these are the breakouts in a couple of different ways just to kind of go through in a little bit more detail what we're doing for education within our state. Let's remember that our focus should be on educating our children and using multiple types of tools and taking advantage of every opportunity not just to provide them with the finest education but then to enhance that education wherever possible and provide them with an opportunity to stay within South Dakota and transition into

being a very productive member of our society in which they continue to improve our economy as well. Starting out, we have a formula where we have specific slides on our K-12 formula funding and we also have specific slides on the on-going other portions of the budget. We also have separate slides on the remaining for the higher education portion. We've kind of broken it out that way for your review.

So let's take a look at the breakdown here and let's start out first of all with the K-12 education funding for '07. To begin with, we have on-going and we will be putting in for inflation this year within the formula an on-going 3 percent increase, which is \$6.1 million. Now this is set up, as required within statute, to be up to 3 percent inflation—statutorily designed. That money goes back into the formula and it is on a per student basis.

We also have included within this budget an ongoing additional amount which is not required by law but which I am going to ask you to participate with us in what we're going to start a plan which we've talked about for the last year now called 2010E. 2010E will be an attempt to work with the education leaders across our state and with private business and interested citizens to lay out a plan for what we want education to look like by the year 2010. One of the areas of interest to us is to provide incentives to local schools to assist them in improving salary policy at the local level. So we have set aside in on-going dollars 3.5 million for the 2010 project in which we want your participation to help with making those incentives available across the state. Other on-going K-12 education funding includes about \$200,000, for a total on-going K-12 of \$9.8 million in the coming year.

There's a separate item here that we also wanted to talk about a little bit and that's the technology initiative for K-12. This is one-time money, but as you know, South Dakota has really been a leader in providing access to the Internet and wiring our schools and doing it as efficiently and as effectively as any state in the nation. Let's not stop now. The next steps are already being laid out for us. Part of that means individually allowing students over the next several years to have access to the finest technology to learn how to use it and to integrate it actively in high school into their studies. So with that, we would like to participate with local school districts in providing to them an incentive to provide laptop computers for students 9th grade through senior year. The money would be provided now, but because it's a massive project, we believe it will take several years to fully complete that program.

Let's start with what we want to do. First, we want the funding for laptops in grades 9 through 12. We want to partner with the schools to lease those and find the most competitive leases we can on that equipment. The funding will come from the rest of the '06 money left over from the state aid, which is approximately \$4 million from this fiscal year. There is cash within our technology fund right now in the amount of \$9 million. It's one-time money, but the combination of the two would give us about \$13 million. The total cost we estimate right now to fully set up across this state for laptop computers for grades 9-12 will be approximately \$39 million. Some of those districts have already started doing it on their own. We would like those other districts to step forward and to do the same thing with basically a \$1 per \$2 type of a matching program over the next couple of years as we find the systems and help them set up that type of a network connection for those individual systems.

K-12—I'm also asking at this time for one-time money in one more spot. This year, as many of you know because you drove in and we have sub-zero weather already, we also have some of the highest natural gas prices ever. State government is fortunate in that we were able to lock in, and we did earlier this summer, for a significant portion of our natural gas prices and to competitively obtain for a part anyway of our natural gas for this year. We locked in a certain amount of gas available for us. Schools, in many cases, because they are not as large as we are, cannot do that and they are subject to the mercy of the market for natural gas. Because of that and because of the significant weather conditions we know we are already facing, I would like to make available, with your permission and acceptance, \$2 million for schools to get through the high cost of natural gas and the impact of this cold weather so far. Now I can tell you that as you have reminded me in the past, sometimes we don't do a good job of reminding individuals that this would be one-time. In this particular case, the plan that we have would have acknowledgement from local units at multiple levels that this would be a one-time event because of the weather and because of the natural gas prices that we see going through the roof.

The next slide that we have here available for you is very busy but it's one that you've seen in the past and I want to include it once again this year. This is the K-12 education per student allocation increases. We will be increasing—as you noted from fiscal year '04 we were at \$4,026.43—it will increase up to \$4,364.85 but that is an increase of \$127.13 per student that is equivalent to a 3 percent increase for the per student allocation.

Remember the number—the \$127.13—because now I want to go to a slide which is a little bit busier. I want to congratulate you because over the last several years you have worked very hard to find additional funding for education. In fact, if you looked at just the blue line on this chart, since '03, this legislative body had only provided the resources to K-12 students as required by law, which is the inflation trend. What would have been delivered back to local school districts would have been the blue line and the number of dollars represented by the blue line. If you notice, as that blue line on your chart there it is significantly lower than the actual amount of money that you have provided—that you have worked hard to provide—the local school districts since 2003. In fact, if you look at 2004, you'll notice that there's a little block up there where there's another block which is higher. That's an additional \$58.55 which you approved in one-time expenditures just to help local schools. In '05, you once again increased the amount by \$58.88 on a per student basis as well so you in those areas not only provided more than inflation, you also provided additional one-time assistance as well. But take a look at '06 in this year. What would have been required if we would have only followed the inflation guidelines, would have been \$4,105.07 per student. But because you worked at it, you found \$4,237.72 per student last year. This year, if we had only followed inflation, there would have been \$4,238.52 per student but instead because you have worked hard at it and because you have dedicated yourselves to providing adequate education for young people within this state, you have increased, and I'm asking you to once again follow through this year, and if you follow the budget recommendation, you will be providing an additional \$126.33 more than if you only follow statutory guidelines of inflation as required by state law.

So you are doing something, but let's just look at that a little bit more. Along with that, what's happened in the 4-year period of time? Well, just inflation would have provided an increase of \$349.33 from '03 to '07. But you provided \$126.33 more than that amount in the last 3 years. Your grand total increases of \$475.66 is significant over a 3-year period of time, so I want to congratulate you because you are working and you are putting your priorities in what I believe to be an appropriate location.

If you looked at the \$126.33—that's the increase just this year from what it would be if it was only inflation—versus where you are actually at, that is 36 percent more in increases since '03 than what you would have otherwise been obligated to provide.

Where is the money going? We have, right now, 168 districts within South Dakota. Of the 168 districts, 127 districts, or 76 percent, will get more than the basic \$4,365 per student. Forty-one schools, the largest that have 600 or more students, will receive the basic \$4,365 per student. But 82 schools, between 201 and 600 students, will receive between \$4,365 and \$5,238. And 45 school districts that are under 200 in size will receive the maximum \$5,238. Now at the same time while you've been doing it with new additional state aid and you've done your best to protect the property taxpayers in South Dakota as well, you followed the guidelines and the laws of your original state aid formula.

Let's take a look at what the current levies are. Property valuations go up, we recognize that. Most people when they buy property, they hope the property does go up in value, but when that happens we have within our system, and you have put this together since 1997, a plan in which when valuations go up, and the largest part of that property tax goes to schools, you've made a deal with the local residents. And what you've done is said, if your property values go up, the state's going to pay part of that for you and we're going to do it by reducing the amount of the mill rate on your properties based upon the type of property it is. What are we going to do this year in this proposal? Now this is based upon the number of students that we estimate we will have within our South Dakota K-12 system next year. It's also based on the estimate of what the valuations will be doing and the total amount of property we will have within our state. The goal is to come back to the ratio of 54 cents out of every \$1 for K-12 general support coming from state government.

Ag levies will go down from \$31.9 per thousand under current estimates and it may change by the end of February based upon updated numbers, but right now from \$3.19 to \$2.95 per thousand. That's a 24-cent decrease in the ag rate across South Dakota. Non-Ag Z will go from \$4.19 to \$3.95, a 24-cent decrease for Non-Ag Z land. Owner occupied homes will go from \$5.13 for education down to \$4.75, a 38-cent drop in their tax rate per thousand. And commercial will go from 11 per thousand dollars of valuation to 10.18 per thousand dollars of valuation, an 82-cent per thousand dollar reduction in the valuation. This is based upon current state law as per the Cutler-Gabriel amendment aiming at once again 54 percent of the state's share in the following year.

Let's talk a little bit now about another part of education that's very important, and that's higher education. We're going to break this down into a couple of categories. We're going to include technical education and we're going to include higher education and how we integrate higher education into better jobs, and

technical education into better job opportunities for young people to keep them right here within our state.

Let's start just a little bit by talking about what we've got. I think perhaps the most important thing is as we work through this and to remember as we work through this is that our job is not done—it's not done when a youngster gets through high school. That's the basic. We want all our young people to continue on and to finish their education—to understand that finishing high school doesn't mean that their education is done—it means that now they have the opportunity to take the basic tools and to put it to practice, to learn more and to become experts in particular fields that make them valuable and give them an opportunity to make a good living.

So, what I wanted to do right now was to talk a little bit about how we want to see that fixed in education as it continues beyond just high school. Let's talk for just a minute about technical schools. That's the second one on this line. Technical schools will receive a 3 percent funding increase for this year. It will correspond with the state aid formula and it also assumes that, even though we have fewer students in our high schools, we will have an increase by 3.8 percent in the number of young people who want to attend technical schools.

I also want to talk a little bit about the utility increases that we see in higher education. If you'll look at the Board of Regents' utility increases, it's \$900,000. That is projected to rise because the cost of gas has gone up about 16 percent this year and they project it to go up 18 percent in '07. The projected rise in electricity for the Board of Regents is expected to be up 12 percent this year and 6 percent in '07.

I also wanted to share with you a little bit about the Opportunity Scholarship which you have funded in the past built into the higher education budget this year. We are projecting 2,463 students to receive this scholarship in '07 and that's a \$2,463,000 million cost--\$1,208,296 of it will come from the Cement Plant Trust Fund money and it would be used for those scholarships.

Now I'd like to talk a little bit about expanding our Ph.D. programs, the very top item on the list and the additional 2010 research center grants each of which has their own chart because I think they are very, very important.

Expanding our investments in research—let's talk for a little while about what's going on. Last year, and in the last couple of years, you have been very gracious in

allowing the Board of Regents to expand their Ph.D. programs. We are asking for an additional \$1.8 million to expand with three additional Ph.D. programs at our universities in South Dakota. They would include a Ph.D. program, a doctor of science and information systems at Dakota State University; a South Dakota School of Mines and Technology and USD combined for a Ph.D in biomedical engineering; and at South Dakota State University, a Ph.D. in energy engineering. We believe they work. We believe they are keeping young people within our state and they are developing new ideas, new concepts and they are bringing federal and private dollars within the research segments of our individual universities. This is the right time to continue to improve our research facilities at our universities.

Also I wanted to share with you something about the 2010 research grants. The Governor's 2010 Research and Commercialization Council will review and choose one or two proposals with the greatest potential for commercial return for South Dakota. That's a million dollars. Right now and later in this presentation, I want to share with you the results that we've been able to achieve in the last 2 years. Remember the portion in which we said that because of the 2010 Initiative there were new dollars coming in and it was growing our economy? If it worked on the first groupings over the last 2 years for the \$2.8 million investment, we're asking for an additional \$1 million because we believe there are other very positive opportunities out there to bring even more private and federal investments into our state to keep our young people—the brightest young people—right here within our state and grow new business ideas.

But that's not all because not only do you grow the business idea but you must then cultivate it. You must then enrich it and turn it into an actual operating business. That is the reason for what we call the CEO Centers for Entrepreneurship. Young people have great ideas but until you actually take that great idea and give them an opportunity to make a return on the idea, to give them a chance to be a successful businessperson, to learn how to grow a business, to make a business operate profitably and to provide good job opportunities for other young people, you haven't finished the job. And so, what we're asking for is the opportunity to create these centers for entrepreneurship, to show them how to incorporate it into a business plan, to not leave our state and to go someplace else with their bright minds and their good ideas, but to keep them right here within our state to let their ideas grow right here. We are convinced that it will facilitate public and private partnerships to develop programs and activities that support these young men and women and create future generations of young business leaders within our state instead of having them leave and go someplace else to be profitable in business.

Let's talk about the rest of state government. The rest of state government accounts for 2 percent of the total increase in this new budget. It's \$1,182,036—that is the total increase for the Game, Fish & Parks; Tourism, Military and Veterans Affairs; Agriculture; Department of Environment and Natural Resources; Revenue; Labor; the Department of Transportation; Executive Management; the Legislature; the State Auditor; the State Treasurer; and School and Public Lands. All those account for only 2 percent of the total increase. My message is that I believe we are putting the increases in the right place—taking care of people that have no place else to go, protecting the public and providing a good education for our young people.

All the rest of state government, let's take a look at where the dollars go. If you look at this chart, Game, Fish & Parks will increase by \$912,000, but \$795,000 of that increase is simply an in and out because it's a bond payment. They have the resources from other funds that comes in but then they have to have permission to spend it on that bond payment. Tourism and State Development will be up by \$390,000, Military and Veterans Affairs by \$199,000, Ag by \$193,000, Environment and Natural Resources by \$169,000, Revenue by \$119,000, Labor by \$40,000, Transportation by \$7,700. Elected officials are down by \$205,000. Executive management within the Governor's Office is down by \$645,000. The total increase for all the rest of state government is \$1.18 million. The message I am trying to send, and by the way ladies and gentlemen, that includes our salary policy for the year which as you'll see shortly, is a 3 percent proposal for salary policy for our state employees.

I'd like to share with you a little bit also one of the challenges that we face. You'll hear more about it during the regular run of the legislative session, but it's important to recognize that whenever possible when the federal government puts together a program and they ask us to participate in it, if we have on-going projects or offices or goals and we're currently funding them with general funds, if the federal government has resources that we can utilize, we do so, which is what's happened in the last few years where we can replace general fund dollars from taxpayers within South Dakota with federal dollars and if we have a system in which we can accept those federal dollars and replace the general fund dollars, we've done that.

But right now, the federal government is under huge pressure to reduce their deficit and to take care of on-going necessary needs in defense of our country and in the assistance to our soldiers who are on the ground outside of this country. Because of that, they have cut back. Some of the areas that they have cut back include the

Byrne funds that we talked about earlier. I wanted to go through just very briefly what we have seen for reductions in federal assistance and what we've done in response.

The Attorney General has lost Byrne funding; Human Services has lost what they call their Byrne funding; Agriculture has had a reduction in the Forestry Health funding; Corrections has lost Juvenile Accountability Incentive Block Grant funding and Byrne funding; the Department of Social Services has lost funding in the reduction of the Child Support Incentive Awards, reduced food stamp incentive awards, the Temporary Assistance to Needy Families Maintenance of Effort federal funding has decreased; and the phasing out of the intergovernmental transfers, all of which have hurt us and made us reprioritize what programs should continue. We lost \$3 million in federal funds, \$3.6 actually is gone. We're only replacing \$2.3 million of the \$3.6, so we've had a total reduction of plans which we will not suggest to you to continue on in the amount of \$1.4 million in projects that the federal government has funded that they are not funding. Some of these, such as the Living Center out at Custer, is good for young men and women who have come through our juvenile justice system. They're living in a home environment near Custer, they have the opportunity to participate in community activities, we had funded that type of activity before with general funds, we found a way to use Byrne funds while they were available, that project should continue on, and since it should continue on, we are asking that you replace that with general funds this year and they are included in our proposal.

What's your tax dollar looking like for '07? How does it look in terms of the dollars you have? Where are we spending the money? Fifty cents will go to education, that's K-12, higher ed and technical schools. Remember that last year that was 51 cents. Thirty-three cents this year will go to Social Services and Human Services programs, including the medical costs for Medicaid, the state hospital and our part of the Temporary Assistance to Needy Families. Last year, that was 32 cents. Of our dollar this year, it's 33 cents. Protecting the public which is the Department of Corrections, the Unified Judicial System, the Highway Patrol and the Attorney General, last year it was 10 cents. This year, it is 11 cents of our tax dollar being spent. And the rest of state government, which is nine departments, four bureaus, the legislature and the Governor's Office, last year it was 7 cents of total tax expense. This year it will be 6 cents of your total tax expense.

How does that look if you take a broad look over the last couple of years very briefly? In '04 to '07, I'll lay these out. Taking care of people has gone from

29 percent of the budget to 33 percent, education has gone from 54 to 50 percent, protecting the public from 10 to 11 percent and the rest of state government from 7 to 6 percent.

But education let's just take a harder look at what that really means. Yes, it's 50 percent of our budget now. In '04, it was 54 percent of our budget. But what does that mean in terms of dollars being spent? It means the number of dollars available to us has gone up. During the same time period, this 3-year period from '04 to '07, it has gone from \$487 million for education within our state to, if you accept our recommendation for this year, \$530 million, or a \$43.5 million increase in funding for education in a 3-year period of time.

FTEs—there's always an interest in what we are doing with Full Time Equivalents (FTEs). If you're not actively involved in government, you'd think that means employees, it means warm bodies. It does not. What it means is the equivalent of doing 40 hours per week for the full number of work weeks in the year. The increase, it means do we have permission to expend money to get work from individuals? Outside the control of the governor, we are requesting 152.3 FTEs. Under the control of the governor, we are requesting 39.8 additional FTEs, a total of 192.1 FTEs. I would remind you that in the 3-year average for those items outside the control of the governor, it has gone up 3.1 percent in growth. Under the control of the governor, it has gone up 1.1 percent in growth and I want to go directly to that portion which I am responsible for bringing to you and as my responsibility to explain.

The FTEs under the control of the governor—because we are adding additional units for Corrections. Remember we don't convict them but we most certainly have to have the space available to house them. When we have a person who is a danger to society and the judge says it is not safe to allow them on the streets we have to have a place to house them adequately and to provide them with rehabilitative services whenever possible and in some way provide them with an opportunity when they do go back out into society that they have an opportunity not to cause harm to society again.

Corrections—the increase I'm requesting is \$34.7. Of that, 24.7 FTEs are for increased security and unit staff needed to help in the new Unit D at the Mike Durfee addition—Unit D in the Sioux Falls location, as well as at Mike Durfee. Seven FTEs are for parole agents. The reason, we have more people on parole and we want more people on parole, particularly those that have had what we think is an opportunity to overcome alcohol problems. The Attorney General will have and

will share with you some concepts—we believe in them and between now and the time of the legislative session, we will go into more detail in the State of the State about ways we believe we can help people stay within their communities but under more close scrutiny if we believe there's an opportunity for them not to re-offend, but we need these several parole agents for that purpose.

Under Tourism and State Development you will find a 9.3 FTE increase. Those are the folks that will be employed or will be hired by our Science and Technology Authority to safely operate and begin the process of accessing the Deep Underground Science and Engineering Laboratory location at the 4,850-foot level in the Homestake Mine when the time is right, but we fully believe that will be in the next fiscal year.

The Bureau of Administration is asking for 4.5 FTE and that is to fully staff the new DCI building.

Agriculture is asking for an additional FTE as a meat inspector.

I want to also point out that, at the very bottom, there is a reduction in Education, Human Services, Revenue & Regulation and Health. Specifically Health—they were responsible for providing the prescriptions and the delivery of prescription drugs where necessary to inmates confined within our facilities in the Department of Corrections.

One of the efficiencies we'll point out later is that, with a change in contracting, we were able to gain an efficiency and actually eliminate 5 FTEs because of the change in the way we have contracted for prescriptions to be delivered within our correctional system in the Department of Corrections.

The other FTEs that have been requested—here's the way it breaks out. The Board of Regents is requesting 141.8 FTEs, the Unified Judicial System is requesting 6.5 FTE, the Attorney General is requesting 2.0 FTE and the Investment Council is requesting 2.0 FTE—a total of 152.3.

Now, I want to point out that the Board of Regents' portion of their FTEs are for the Ph.D. programs—24.5. But of that number, we've broken them down a little bit more—17 are for graduate assistants, because if you are working on your Ph.D., and if we can bring in federal or private money, we can afford to pay those graduate assistants. But we can't pay them unless we have permission from you. That FTE provides us permission to pay them from those funds. By the way, those

17 graduate assistants are actually 34 part-time graduate assistants. We have 10 FTEs for the research center grants because we believe with those research centers in operation we will bring the dollars in from elsewhere but they still have to pass through our budget.

10.4 FTEs for what we call the Southeast Technical Institute (SETI) Board of Regent agreement. There's an agreement there with the Board of Regents for the Southeast Technical Institute located in Sioux Falls in which 10 currently employed teachers or FTEs (equivalents of 40 hours per week) will be transferred from SETI to the Board of Regents because they will be Board of Regents' employees rather than Southeast Technical Institute employees for teaching some basic courses that will then transfer credits into the Board of Regents system at a later time. It's a good, positive move for young people that want to further their education and get college credits for the education they receive at Southeast Technical Institute.

The Department of Corrections—I think we've already identified those FTE increases, and the Department of Tourism and State Development, we've already identified those.

The Unified Judicial System is asking for 6.5 FTEs for a court reporter, 2.5 deputy court clerks, a court services officer, and for court services officers for adult intensive, they are asking for 2 FTE.

The Attorney General is requesting 2 FTEs for the victims witness plan.

The Investment Council is asking for 2 FTE to increase coverage of high yield investments category. They want to get into a new area that they believe will give a higher return for all the retirees and future retirees in the investment system and for our dollars we invest with our trust systems. They believe using 2 FTEs will return significantly more than what the cost is for hiring additional personnel.

Now for this fiscal year, the one we're currently in, from July of this year until June of next year, we're going to request some one-time expenditures on an emergency basis. We're going to request, as we indicated earlier, a \$2 million one-time plan for schools for energy relief—to help them get through this tough winter.

We're going to request the Cement Trust earnings for this year go to fully fund the Opportunity Scholarships so young people will stay right here within our state and complete their education.

We're going to request \$994,000 to fill back in the expenses of the State Fair for this last year.

We're going to ask for \$756,270 to refill the money we spent in the last year fighting fires in western South Dakota.

We are asking also for \$10,000 for the funding for the Web site that many of you have expressed an interest in participating with us on and funding and setting up and that is the sex offender registry. We know a lot of you have real concerns just as we do. We look forward to working with you in creating a workable system of keeping track of and making available to the public a registry of sex offenders who are required to report and this would make it readily available for individuals to recognize where they are and to keep track of their movement in this state just as the states around us are working on.

The total general funds of emergency special appropriations for the '06 budget year that we are currently in is \$4,968,566.

For FY '07, there are some special appropriations that I would ask your serious consideration on. Under the general funds for the state of South Dakota, the Sales Tax on Food Refund Program, requested \$3,000,000. The reason—in the past we requested \$5 million but we have a carryover of \$3 million already that has not been requested. So this year we'll carryover \$3 million and make it available along with, if you accept it, \$3 million in new money this year for a total of \$6 million available for the Sales Tax on Food Refund Program, and that does not include the existing money that's still left over for the remaining part of this year. The \$3 million carryover is from the '05 budget year.

Tax refunds for the elderly and disabled—we are requesting \$1 million.

School district consolidation incentives—we have several of those to be completed—that is \$552,209.

We have one physician and one dentist who have completed the requirements for the tuition reimbursement plan, and that will be a cost of \$105,228. This has been a very successful program in retaining professional medical care providers in our rural areas, and we would ask for your continued support of that plan.

Salary policy across the board for all employees within state government, including the Board of Regents and the Unified Judicial System, would be a

traditional plan as suggested originally by George Mickelson—3 percent salary, 2.5 percent movement to job worth and a 6.3 percent increase from you for the increase for employer paid health care insurance costs.

Now I want to go into that last part just a little bit. Actual costs of medical care—if we did nothing to manage it—would go up in excess of 18 percent. Many individuals at the private level are feeling that. We have to do a better job of actively managing and doing our best to reduce the cost to the taxpayers of this state. So what we've done is we've broken this up into three parts. We're asking the taxpayers to pick up one-third of the cost. The other two-thirds of that cost would be broken out as follows: State employees will share, they will pay a greater share through dependent contribution increases, higher deductibles and co-pays, both for pharmaceuticals, for outpatient and inpatient care and increased costs for tobacco users. So they will pick up a third of the cost, approximately \$3.0 million. We're asking the taxpayer to pick up approximately \$3.9 million, the taxpayers of South Dakota, and then we're going back to the providers, the individuals that we purchase services from—hospitals across the state, and also for outpatient services being provided by our physicians. We are asking through negotiations that they also pick up a part of the additional costs in the amounts which they are billing to us and in their promotion of utilization from one year to the next that we ask them to reduce through contract negotiations by that same amount from what our estimates are right now for next year in the amount of between \$3.5 and \$4 million. Our goal is to actively manage the health care costs for our employees within the state.

There are some examples of governmental efficiencies I want to share with you. These include under the correctional health—I just thought you would be interested—by rebidding the pharmacy contract, the state saved 5 FTEs as I noted under the Department of Health and we saved \$554,000 per year by getting a better deal on the pharmaceuticals being provided by changing contracts.

The Department of Social Services has begun additional cost containment strategies. The initiatives in Medicaid will save \$3,527,789 in general funds and over \$9.4 million in total funds in this fiscal year and fully implemented in fiscal year '07.

The Bureau of Information and Technology has found that, by transferring the responsibilities for the contracts for taking care of our radio towers, we have identified that Homeland Security Funds, federal dollars, may be used to fund

some of those expenditures that this year in this fiscal year will amount to \$113,000 in general fund savings and that will go up in the future.

The Bureau of Personnel by billing out the administrative functions for testing and retesting and setting up the tests from the different agencies will actually be able to save about \$168,000 in general funds because we've discovered that the federal government will pick up that amount of the funds if we correctly bill that out to the different agencies who also have federal funding.

Now, let's talk about the big picture. In fiscal year 2007, our general fund expenditures will be \$1,064.6 million. Our federal funds expenditures are expected to be \$1,325.1 million. And the other funds expenditures will be \$806.3 million. Our total budget for this year will go up by one-tenth of a billion from \$3.1 billion to \$3.2 billion for the fiscal year '07 budget year. This includes special and continuous appropriations.

How does it change? Fiscal year 2007 the general funds increased as a recap would be \$49 million in additional funds expenditures. Federal funds will increase by \$25.1 million and the other funds expenditures will increase by \$55.7 million for a total expenditure across state government of \$129.8 million. This figure excludes specials and continuous appropriations. It represents a growth of 4.2 percent.

How does that track with one of our major goals? Well we believe that it's very important that we keep our eye on the ball. The commitment that we've made that we will continue to strive to eliminate that deficit where we have been spending money out of our reserves—we started in fiscal year '03 with a \$36.1 million deficit—where we took \$36.1 million out of our reserves. In '04, we took \$26.8 million out of our reserves. The adopted budget in '05 took \$21.7 million out of our reserves. The adopted budget in '06, when you went home last spring, we expected to take \$16 million from our reserves—I can tell you right now our revenues are up, our expenditure in many cases we've been able to save some money and it's going to be less than that but it was \$16 million at that time. We were projecting a budget this year that will bring us down to \$5.3 million in our deficit with our goal for '08 of having zero deficit and perhaps being in the black for the first time in years. In order to do that, the economy has to stay strong. We have to work to provide our people with an opportunity for good jobs and an opportunity to keep the dollars that they do earn. We have to continue to find efficiencies within government. We have to be conservative with the dollars the

taxpayers if South Dakota entrust to us. And we have to continue to grow this tax base without increasing taxes.

The highlights for this year—we're going to continue to work as hard as we can at providing our citizens across this state a chance to grow our economy—to look for a brighter future for themselves and their children. We will continue to meet the basic needs of our people—taking care of those that have no place else to go, the very young and the very old. We'll continue to protect society and take the people that would harm them off the streets. And we will provide a quality education for our children because they are our future. We will continue to reduce the property tax levies as required and agreed upon within our statutes. We will continue to reduce the structural deficit, and we will do this without imposing new taxes on the citizens of this state.

Working together, I do believe that we can make South Dakota even better.

Ladies and gentlemen, this budget that we've prepared for you I have some thank you's that I would like to make. Those individuals who have worked very hard at preparing and laying out in an orderly fashion—and working to maintain the minimal numbers of expenditures in those areas that don't directly affect the citizens of this state—I'm going to ask if they would please stand and be recognized at this time.

From my office: Jim Soyer and Steph Tveidt.

From the Bureau of Finance and Management: Colin Keeler, Tamara Darnall, Angella Van Scharrel, Chris Petersen, Kellie Beck, Jenna Friedrich, Liza Sizer, and the commissioner of the Bureau of Finance and Management, Jason Dilges. Would you all please stand and be recognized for the very hard work you have put in? Thank you.

And one last thought. Let's never forget we're here to serve the men and women, the children of South Dakota. We do so in an atmosphere in which we look to the future, a bright future, but it's a future that's safe, it's a future in which we have the opportunity to express our own beliefs, to freely discuss what we think is important, to share with others what we believe, the opportunity to ask the good Lord in whichever way we choose for His blessings. We couldn't do that without being free. We couldn't do that without the people that are on the front line defending that freedom. Ladies and gentlemen, the men and women who have worn the uniform of the United States of America and previous generations and

those who wear the uniform of the United States of America today are the ones who are on the front line and who we should never forget because of their service and their sacrifice and the families that they leave behind who also offer a sacrifice that the rest of us do not, would you please join me as I ask all of our veterans and those who currently wear the uniform of the United States of America to please stand and be recognized by all of us here. Please stand. Thank you. Thank you.

Thank you for your time, your patience, and your help.