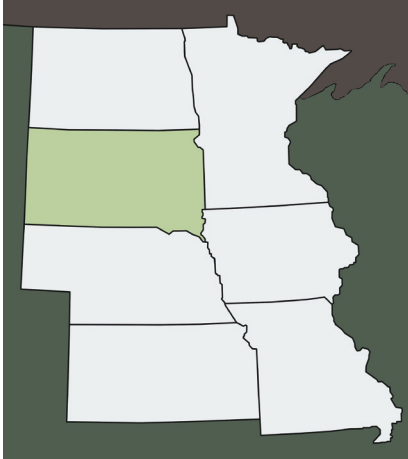


SOUTH DAKOTA Budget Report Card



SOUTH DAKOTA WAS ONE OF ONLY eight states to receive an A average for fiscal 2016 through 2018 in legacy costs, which include public employee pensions and other postemployment benefits (OPEB), chiefly health care. Wisconsin is the only other state whose pension system is 100 percent funded as of 2017. South Dakota also had no OPEB liability, as it stopped subsidizing these benefits in 2015.

Its B average in budget forecasting reflected an absence of consensus revenue estimates as South Dakota’s one significant shortcoming. The state Bureau of Finance and Management, an executive branch agency, prepares revenue estimates with no input from the legislature.

In budget maneuvers, South Dakota averaged a B, with the annual mark slipping from A in 2016 to B in 2017 and 2018. In 2017, for example, the state paid for recurring expenditures with about \$13 million in one-time cash from unclaimed property.

South Dakota also averaged a B in the transparency category. Like all but four states in 2017 and 2018, it failed to disclose deferred infrastructure replacement costs. The lack of such data may complicate a state’s efforts to stir enthusiasm for repairing roads, bridges, and buildings before they fall into a dangerous state of disrepair.


WEST NORTH CENTRAL STATES SIDE BY SIDE: Three-Year Average Grades, 2016-18


	BUDGET FORECASTING	BUDGET MANEUVERS	LEGACY COSTS	RESERVE FUNDS	TRANSPARENCY
Iowa	C	A	A	B	C
Kansas	D	D	D	D	B
Minnesota	B	A	D	A	B
Missouri	D	A	C	B	C
Nebraska	B	A	A	C	B
North Dakota	D	B	D	A	C
South Dakota	B	B	A	B	B
US AVERAGE	C	B	C	B	B


NOTE States are grouped by US Census Bureau divisions.


Average grades are based on annual numerical scores. For more information, download *Truth and Integrity in State Budgeting: Preventing the Next Fiscal Crisis* at VolckerAlliance.org.


SOUTH DAKOTA Budget Report Card

BUDGET FORECASTING				
	2016	2017	2018	
	CATEGORY GRADE	B	B	B
	Consensus Revenue Forecasts	X	X	X
	Multiyear Expenditure Forecasts	✓	✓	✓
	Multiyear Revenue Forecasts	✓	✓	✓
	Revenue Growth Projections	✓	✓	✓
3-YEAR AVERAGE B		3-YEAR TREND —		

BUDGET MANEUVERS				
	2016	2017	2018	
	CATEGORY GRADE	A	B	B
	Deferring Recurring Expenditures	✓	✓	✓
	Revenue and Cost Shifting	✓	✓	X
	Funding Recurring Expenditures with Debt	✓	✓	✓
	Using Asset Sales and Up-Front Revenues	✓	X	✓
3-YEAR AVERAGE B		3-YEAR TREND ↘		

LEGACY COSTS				
	2016	2017	2018	
	CATEGORY GRADE	A	A	A
	Public Employee OPEB Funding	✓	✓	✓
	Public Employee Pension Funding	✓	✓	✓
	Public Employee Pension Funded Ratio*	97%	100%	100%
3-YEAR AVERAGE A		3-YEAR TREND —		

RESERVE FUNDS				
	2016	2017	2018	
	CATEGORY GRADE	B	B	B
	Positive Reserve or General Fund Balance	✓	✓	✓
	Reserve Funds Disbursement Policy	✓	✓	✓
	Reserve Funds Replenishment Policy	✓	✓	✓
	Reserves Tied to Revenue Volatility	X	X	X
3-YEAR AVERAGE B		3-YEAR TREND —		

TRANSPARENCY				
	2016	2017	2018	
	CATEGORY GRADE	B	B	B
	Consolidated Budget Website	✓	✓	✓
	Provides Debt Tables	✓	✓	✓
	Discloses Deferred Infrastructure Replacement Costs	X	X	X
	Discloses Tax Expenditures	✓	✓	✓
3-YEAR AVERAGE B		3-YEAR TREND —		

KEY

✓	Followed best practice
X	Did not follow best practice

BUDGET FORECASTING evaluates whether and how states estimated long-term revenue and expenditure trends. **BUDGET MANEUVERS** evaluates whether states used one-time revenues, borrowings, asset sales, and other measures to achieve short-term budgetary balance. **LEGACY COSTS** evaluates whether states provided adequate funding, as defined by retirement system actuaries, for pensions and other promised retirement benefits for public workers. **RESERVE FUNDS** evaluates states' rainy day funds and other fiscal reserves, as well as any policies governing their use and replenishment. **TRANSPARENCY** evaluates the accessibility to the public of states' budget practices.

* **SOURCE** Bloomberg; 2017 data also used for 2018.