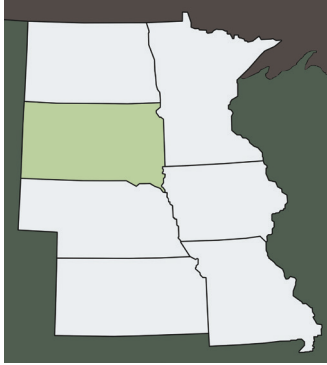# SOUTH DAKOTA Budget Report Card

SOUTH DAKOTA WAS ONE OF ONLY FOUR states with no average budgetary grade below B for fiscal 2015 through 2019. It earned As in two categories: legacy costs and budget maneuvers.

It was one of seven states receiving the top grade in legacy costs and, alongside Wisconsin, one of only two with a fully funded pension system in 2019. Unlike most states, South Dakota does not need to put aside money to fund other postemployment benefits (OPEB), primarily health care, as it stopped subsidizing them in 2015.

Its budget maneuvers grade reflected the state's avoidance of one-time actions to achieve balance. The accomplishment was aided by South Dakota's frugal spending habits and stable tax base, which relies heavily on a sales levy that covers more services than most states.

South Dakota's biggest improvement came in budget forecasting. In 2015, the legislature unanimously passed a bill designed to "strengthen the financial practices of the state." The measure requires annual publication of a long-term financial plan, including three years of revenue and expenditure projections. Despite the change in long-term estimation procedures, the state's continued lack of consensus revenue forecasts held its category average to a B.

Its B average in reserve funds reflects policies for disbursement and replenishment of the Budget Reserve and General Revenue Replacement funds. Combined, they had a 2019 balance of $170 million, equivalent to 10.4 percent of general fund expenditures.

WEST NORTH CENTRAL STATES SIDE BY SIDE: Five-Year Average Grades, Fiscal 2015–19

	BUDGET FORECASTING	BUDGET MANEUVERS	LEGACY COSTS	RESERVE FUNDS	TRANSPARENCY
Iowa	C	A	A	B	C
Kansas	D	D	D	D	B
Minnesota	B	A	C	A	B
Missouri	D-	A	C	B	C
Nebraska	B	A	A	C	B
North Dakota	D-	B	D	A	C
South Dakota	B	A	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: Preparing for the Storm* at VolckerAlliance.org.

THE VOLCKER ALLIANCE

SOUTH DAKOTA Budget Report Card, Fiscal 2015–19

BUDGET FORECASTING

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	D	B	B	B	B					
Consensus Revenue Forecasts	X	X	X	X	X					
Multiyear Expenditure Forecasts	X	✓	✓	✓	✓		●	●	●	●
Multiyear Revenue Forecasts	X	✓	✓	✓	✓					
Revenue Growth Projections	✓	✓	✓	✓	✓	●				
5-YEAR AVERAGE B										

BUDGET MANEUVERS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	A	A	B	A	A					
Deferring Recurring Expenditures	✓	✓	✓	✓	✓	●	●		●	●
Revenue and Cost Shifting	✓	✓	✓	✓	✓			●		
Funding Recurring Expenditures with Debt	✓	✓	✓	✓	✓					
Using Asset Sales and Up-Front Revenues	✓	✓	X	✓	✓					
5-YEAR AVERAGE A										

LEGACY COSTS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	A	A	A	A	A					
Public Employee OPEB Funding	✓	✓	✓	✓	✓	●	●	●	●	●
Public Employee Pension Funding	✓	✓	✓	✓	✓					
Public Employee Pension Funded Ratio*	104%	97%	100%	100%	100%					
5-YEAR AVERAGE A										

RESERVE FUNDS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	B	B	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	X	X					
5-YEAR AVERAGE B										

TRANSPARENCY

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	B	B	B	B	B					
Consolidated Budget Website	✓	✓	✓	✓	✓					
Provides Debt Tables	✓	✓	✓	✓	✓	●	●	●	●	●
Discloses Deferred Infrastructure Replacement Costs	X	X	X	X	X					
Discloses Tax Expenditures	✓	✓	✓	✓	✓					
5-YEAR AVERAGE B										

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.