

STATE OF SOUTH DAKOTA
FISCAL YEAR 2008 BUDGET ADDRESS
PIERRE, SOUTH DAKOTA
DECEMBER 5, 2006
GOVERNOR M. MICHAEL ROUNDS

Thank you.

Lieutenant Governor Daugaard, Mr. Speaker, ladies and gentlemen of the House and Senate and the citizens of South Dakota, I look forward this year to once again a new beginning—an opportunity to share our goals and our ideals to do the business of the people of South Dakota. Today, in our first opportunity to visit and to start talking about the business at hand, we would like to share with you our proposal for how to spend the taxpayers' dollars within our state.

What we've tried to do is to work with the limited dollars we have. We have tried to put together a budget which you would find acceptable. We started by first and foremost continuing in an effort to grow our economy with the budget in the areas that we can help to build the businesses within this state—to build opportunities for young people to stay here. We tried to do this while balancing our budget using our reserves wisely and we tried to do this and still meet the basic needs of our people, taking care of those individuals who can't take care of themselves, protecting society from those who would do us harm and, finally, educating our children because they are our future. Within this budget, you will find no new taxes being requested.

Let me begin by sharing with you where we are today. As many of you are aware, and since this goes out statewide, let me start by sharing that we start in the middle of a fiscal year. Today, in December, we are midway through the '07 fiscal year. It began in July and goes until next June. The legislature, last year, set the priorities for this year that we're in. Your responsibilities are to look at changes in this year but then also look at the next budget for '08.

So let's start by where we are today. First and foremost, this chart that's up in front of you compares the adopted, ongoing revenue estimates versus the revised ongoing revenue estimates for 2007 that was adopted back in March when the legislature left. Some of the revenue sources are higher and some of them are lower than adopted. The net is that the revised estimate is \$9.9 million higher than

the adopted estimate last March. The reason for this will be explained on the next slide.

Why is the revised estimate higher? Well, the revised 2007 estimate is \$9.9 million more than the '07 original estimate. First and foremost, the revised estimate is higher than the adopted estimate due to \$14 million of unanticipated revenues, including:

- \$7.3 million from Initiated Measure #2. That's the property tax reduction and other continuing receipts. You would recognize Initiated Measure #2 as the increase in the cigarette tax that passed;
- \$4.7 million of unanticipated revenue from the Unclaimed Property Remittance. That's under the other continuing receipts. This is in dollars that have been delivered to the treasurer from banks of unclaimed property that they cannot find the owner for; and,
- \$2 million of unanticipated revenue due to the transfer from the insurance operating fund.

If not for this \$14 million, we'd be about \$4.1 million short of the adopted estimate last year.

Let's talk a little bit about that tobacco tax increase, Initiated Measure #2, and where the dollars are at. First of all, remember that the state already collected between \$27 and \$28 million a year in tobacco tax money to begin with. When the citizens of this state voted on Initiated Measure #2, they requested that the cigarette tax go up but they also allocated within the measure by law where the funds should be placed. So Initiated Measure #2, as adopted by the voters of South Dakota, increases the taxes on cigarettes and other tobacco products. The new law allocates the revenues first of all to the general fund the first \$30 million. Remember that we already get \$27 now, so it's an increase of about \$3 million into the general fund. The Tobacco Retention and Reduction Trust Fund gets the next \$5 million. Now the money that goes into that is allocated for tobacco prevention and reduction plans. Here's where we are proposing that we spend it:

- \$1.7 million for community and school based initiatives;
- \$2.17 million for tobacco cessation programs; and,
- \$1.13 million for public education and data collection programs.

Then the Property Tax Reduction Fund receives 33 percent of anything over \$35 million per year that is collected. The Education Enhancement Trust Fund receives 33 percent of anything over \$35 that is collected. And, finally, the Health Care Trust Fund receives 34 percent of anything over \$35 million that's collected. So, those three trust funds share in almost equal amounts—everything over \$33 million per year that is collected in cigarette taxes.

The new law increases total revenues by \$22.2 million in this fiscal year—the one that we are in right now—because it starts collecting the taxes in January all the way up through the end of June. So we have half a year of time in which to collect cigarette taxes. Then beginning in '08, it increases the amount by \$41.9 million. That's for the full first fiscal year. The estimated increase to the General Fund and the Property Tax Reduction Fund are \$7.3 million in '07 and \$14.2 million in '08. The trust funds get \$14.9 million in '07 and \$27.7 million in '08.

When we laid out for you the expenditures under the General Fund of the state of South Dakota, we've taken these into account and we will share with you where that's at as we move forward with this budget proposal.

All major revenue sources in '08 are expected to increase with the largest increases from Sales and Use Taxes and the Property Tax Reduction Fund. One time receipts totaling \$6.5 million are recommended in '08 to help balance the budget shortfall. The total '08 General Fund revenues are \$60.4 million more than the revised '07 revenues, which includes a \$6.4 million transfer from the reserves.

Now, if you want the entire budget in one slide, here is the General Fund for the state of South Dakota, revenues and expenditures—the bottom line for 2008. If you will notice, we are requesting in total receipts \$1,136,400,000 in anticipated revenues and expenditures of \$1,142,800,000 with \$6.4 being picked up by a transfer from our reserves.

Let me just explain one item on there. If you'll notice in this chart, Sales and Use Tax, as usual, it is our largest source, is 57 percent of all the revenues collected. The Property Tax Reduction Fund, as part of our budget, it should be noted that what goes into that is all the Video Lottery proceeds and the telecom tax and now one-third of the cigarette tax above \$35 million.

If you laid out and looked at those expenses on there, you'll find that the expenses include for educating our children at all levels, 50 percent of all the dollars that are being collected from the taxpayers. Taking care of people, 33 percent. Those are

our social service needs, health and human services needs, and so forth. Protecting the public, which includes the courts, the Attorney General, the Highway Patrol, the corrections systems and so forth, 11 percent. All the other eight departments, four bureaus of government, the legislature, the other constitutional offices and executive management of South Dakota will utilize six percent of all the funds collected in the General Fund category within our budget.

Let's take a look at the reserve because I'm requesting from you about \$6.4 million. How does it look right now? Well, beginning December 5th, here's our starting point. The Budget Reserve Fund, one of our two reserves, has a little over \$43 million in it. The Property Tax Reduction Fund has a little bit over \$94 million in it—for a total of about \$137.2 million in reserves. How we want to use it during the rest of this year and for the next fiscal year, well, during '07 because of these unanticipated increases in revenue, we're going to be able to put back in, if you accept our proposal and the emergency specials yet this year, we're going to be able to add back in \$1.9 million to our reserve account for this year. That's in '07, which occurs up through June of this next year. But then beginning in '08, we're asking for \$6.3, almost \$6.4 million to come from the reserves to balance the budget for next year. That will leave us a net of about a \$4.4 million reduction in our total reserves on hand, or at the end of June 2008, \$132.8 million still in reserves.

I'd like to share with you a little bit of history about the reserves and how we've utilized them in the past. The beginning of fiscal year '04 we had \$106.5 million in our reserve accounts. We transferred out \$14.8 million to balance the budget, but the federal government sent us a one-time \$66.3 million to help us with our ongoing expenses, because at that point due to an economy in this country that was down after 9/11 and so forth, they didn't want to see a lot of our continuing programs get cut, and they asked that if we take the money, that we not create new programs, but we use this for a specific or a series of specific ongoing plans. We put that money into education and, in doing so, we did not have to take that amount of money out of the Property Tax Reduction Fund, which increased the Property Tax Reduction Fund balance by \$66.3 million, ending '04 with \$158 million in our reserve account.

In '05, we took \$23 million out to balance our budget rather than cutting services or not sending dollars back for education that year. That left us with \$134 million in our reserve account at the end of '05.

That begins '06. We took \$35 million out of that in part to take care of our agreement to obtain the title to the Homestake Gold Mine for science purposes. The money has not been spent. It is still there, it is in an account and will not be spent unless we are identified as the eventual site of the Deep Underground Science and Engineering Laboratory.

But at the same time, we added back in \$38 million to the reserve accounts and when we sold the Core Line to the Burlington Northern, the legislature requested, and we agreed, that \$38 million could be transferred from the Railroad Trust Funds back into our reserve funds. What that would mean then is the legislature could look as to the decisions made as to how that money would be spent. It may very well be that at some point in the future some of that may have to go back into the Railroad Trust Fund as we continue to enhance the railroad infrastructure in the state to move our value added ag products out of the state in the future.

In '07, beginning with the \$137 million balance, for this year we're going to add \$1.9 million back in for a total of \$139 million by the end of this next June. Next year, taking \$6.4 out, we will still have \$132.7 million in our reserve accounts.

This slide in front of you is a synopsis of where the \$75.7 million increase in General Fund expenditures will go. I've broken it down into two categories and I'd like to go through them in some detail with you into two parts—mandatory and discretionary. The part on this screen that I wanted to share with you is, if you notice on the \$75.7 million increase, \$56.3 million of it I believe is mandatory in nature—things that we simply are required by law to do or that would cost us more money in the long run if we don't. Second of all, the discretionary increases, which are \$19.5 million of the \$75 million. This excludes any special appropriations that we may ask for.

Let me go through them a little bit more in detail. Let's start with the mandatory increases. This is for '08 and this is the mandatory increases and we've taken the largest examples of what we see in here as things we think you would agree are mandatory in nature. First and foremost, state law says that there's one item that every year before anybody else gets any money, before any other interests are addressed, state aid to education is first. And state aid to education once again this year will have an increase of \$17.5 million, general and special. The federal matching rate, unfortunately, this year, just in order to maintain our existing services for Medicaid-eligible recipients and so forth, our medical matching rate with the federal government changed because of our high per capita personal income growth over the last 3 years. It's been the highest in the nation. Because

of that, we have an obligation, under federal law, to pick up a larger part of our Medicaid expenses. That's going to cost the General Fund of this state, the taxpayers of the state, \$16.9 million for the existing programs to match Medicaid money coming from the federal government.

Lost Medicaid for juveniles—while the federal government has changed their interpretation of which children can be served with Medicaid, and unless they are in a psychiatric rehab facility, or in this particular case, the juveniles in this case, and I'll just read this to you, the Centers for Medicaid and Medicare for group and residential treatment have changed in terms of what's eligible for Medicaid reimbursement. Children in non-psychiatric group and residential treatment no longer are eligible for Medicaid. This happens to impact both the Department of Social Services' budget and the Department of Corrections budget—we've broken that out for you. But the impact to the taxpayers of our state is that it will cost us about \$6.3 million more in General Funds this year.

Provider inflation is \$5.9 million—that is assistance as required by federal guidelines that we pay to providers that are providing services for Medicaid-eligible individuals within our state.

The growth in services for those in need is \$5.8 million. It's not as much of an increase as it has been in past years. We still have more people that are requesting services within South Dakota, and because of that, we have a \$5.8 million increase because of that growing increase in the numbers that are expecting to be served.

Our utility costs, based upon our contracts for the cost of electricity and natural gas, will increase by \$3.3 million.

Everything else will add up to about \$600,000 in mandatory increases.

The second part of this category is discretionary increases. These are the ones that we have the opportunity to impact and make different changes. Some examples of this \$19,460,000 that we're recommending—state employee compensation, excluding health care, is \$10.4 million.

Provider inflation—this is to bring provider inflation up to 3 percent across the board whether mandated by federal directive or not. And the idea behind that is to continue to provide those services for Medicaid-eligible individuals, Title XIX-eligible individuals, in rural settings as well as our larger communities. That cost is \$7.4 million.

K-12 teacher compensation—I'm proposing this year that we begin or attempt to begin as we did last year a salary enhancement for classroom teachers. I have not laid out the rules in this—I've simply earmarked \$4 million. I would expect that we would ask local school districts to participate with us, and the idea would be to allow for an enhancement of salary policy for classroom teachers across this state based upon a series of guidelines that would ask them to participate one way or another in the enhancement of educational opportunities for young people. I'll share a little bit more on that with you a little bit later as to why I'm asking for it in this way.

The Board of Regents' Ph.D. programs, \$1.8 million. In the last couple of years, you've been very good to work with in terms of adding opportunities for young people to stay in this state and to do research. This year, we are asking for three new Ph.D. programs to be funded—the first one at The University of South Dakota, a Ph.D. in Materials Chemistry; second of all is South Dakota State University, a Ph.D. in Pharmaceutical Sciences; and, third at the South Dakota School of Mines and Technology, a Ph.D. in Chemical and Biological Engineering. Our goal is to allow these young people an opportunity to advance their education—to do research here within our state and to stay here to grow the roots right here instead of leaving and going someplace else to begin their research and to further their education.

K-12 technology in schools—we're asking for a \$1.4 million increase and, in this particular case, this is needed to just maintain the current services which include funding for the digital Dakota Center, funding for the K-12 teacher and student e-mail system and funding for student information systems.

Everything else we're going to find and show you about \$6.9 million in reductions within state government as well. The total is \$19.4 million in discretionary expenditures at the General Fund level of state government.

Now the General Funds for major spending changes, if you want to break this out a little bit, Education will be about \$35.6 million per year. Taking care of people will be about \$33.8 million. Protecting society will be about \$5 million, and the rest of state government, the increase will be about \$1.4 million. The total change to the General Fund, category of state government expenditures, is \$75,771,165 in this proposed budget for fiscal year 2008.

This slide includes employee compensation distributed to each group. Education accounts for 47 percent of the increase, and includes K-12, tech schools and Regents. It includes taking care of people, which accounts for 44.5 percent of the increase and includes Social Services, Human Services and the Department of Health.

Protecting society accounts for 6.5 percent of the increase and includes the Department of Corrections' expenditures, Department of Public Safety, the Unified Judicial system and the Attorney General's office. And the rest of state government accounts for about 2 percent of the increase and that includes the Game, Fish and Parks Department, Tourism, Military and Veterans Affairs, the Department of Agriculture, the Department of Environment and Natural Resources, the Department of Revenue and Regulation, the Department of Labor, the Department of Transportation, the executive management offices of state government, the legislature, the State Auditor, the State Treasurer and School and Public Lands.

Let's take a look at education and let's go into that in a little bit more detail. Education, we're going to spend as we said about \$35.6 million additional this year. It will account for 47 percent of the increase and it includes the K-12, the tech schools and the Regents. How does it look in more detail? Well, first of all, K-12 state aid to education funding, \$17.4 million more, is a 3 percent increase in general and special education. The Board of Regents' employee compensation is based upon a 3 percent inflation policy is about a \$5 million increase. The K-12 teacher compensation program, as I shared with you earlier, this would be \$4 million set aside so that we can impact salary and salary enhancement for K-12 teachers and have the local school districts participate with us. This is not a merit pay plan. This is an opportunity for enhancement based upon schools participating with us in educational achievement opportunities for young people. The goal—to find better ways to educate young people whether it be improvements in attendance, improvements in math scores, improvements in science scores and so forth.

Higher education Ph.D.s and research, \$2,290,000. This would be \$1,790,000 to fund the new Ph.D. programs I spoke of earlier. \$500,000 to fund seed grants in fiscal year '08. These grants will help support faculty researchers as they develop research programs to become more competitive for external grants and contracts.

The Board of Regents' utilities—based upon the '08 projections—the Board of Regents' utilities will go up a little over \$2 million.

K-12 technology—as I spoke earlier, this is to develop that technology staple within the classroom.

South Dakota Opportunity Scholarships—an increase of \$1,438,000. This will fund 2,912 students projected to be receiving the scholarship in fiscal year '08.

The K-12 Career and Technical Education Programs—this funding of \$1 million is based upon the legislation that was passed last year and so now we've put it into our base.

All the rest—well it amounts to \$865,000 but it's a whole series of things, including the Board of Regents' travel reinstatement, SDSM&T audit cut reinstatement, the Animal Disease Research and Diagnostic Laboratory lease payment adjustment—just a whole series of very small items in there and the Appropriations Committee will have an opportunity to go through that in detail as well.

Let's take a look also at the K-12 education funding for '08. This is now a subgroup of what we've already spoken of but this is the money that is going to go back under this proposed budget to K-12 education. It totals \$24.3 million this year. Three percent for formula increase under the state aid formula, Teacher Compensation Program as we've already spoken about, the K-12 technology of \$1.4 million, K-12 career and tech ed programs of \$1 million, state aid to special education \$600,000 and all the rest of about \$0.4 million. So the total is \$24.3 million in support of K-12 education in this proposed budget.

I said I wanted to send some money directly back to classroom teachers. Let me share with you the reason why I'm asking for and earmarking dollars specifically for this. I understand we truly believe in local control when it comes to education at the K-12 level. I support that. The last couple of years I have also proposed to you a bill which would take away the penalties for having dollars in your reserve accounts. But let me also share with you what we see right now and what we should talk about in terms of trying to specifically target and provide assistance for improvement in salary policy for teachers through an enhancement plan.

In fiscal year '03 when I became governor, we added \$4.3, almost \$4.4 million, into spending for state aid. Local schools in their general fund, their ending balance had gone down by about \$4.4 million to a total in cash balance reserves for local school districts of \$123 million. The next year we added in an additional

\$14.5, almost \$14.6 million going back to K-12 education. Their general fund balances at the end of the year ended up at about \$124.6 million, or up about \$1.52 million from the previous year. The following year we asked for, and you sent back, \$9.6, almost \$9.7 million in fiscal year '05. The school districts' ending cash balances ended up at \$138.5 million or an increase in cash balances of \$13.9 million. In the 2006 fiscal year, \$5.7 million—the cash balances at \$154.5 million, an increase of an additional \$16 million in the cash balances. And, finally, this year once again, we're proposing as part of this an increase, including one time dollars, of \$12.8 million going back into the state aid to education at the local level and we don't know what those cash balances will be because they will be reported next December, not this December but a year from now.

Proposed for this next year, in '08, a \$14.4 million increase. You've committed to funding education. What we're trying to do with the first series of \$4 million in a teacher salary enhancement package is to go directly in and to suggest very strongly that some of those dollars in the bottom line need to go to enhancement to teachers at the classroom level rather than to the bottom line as cash balances in the reserve accounts.

Per student increases in state aid to local schools—well, using just inflation, this is what the school districts should receive on a per capita basis beginning in 2003 from \$3,889 per student up to \$4,365 per student with fiscal year '08. But if you take a look at what's happened, we've actually put in an additional amount each year to where not \$4,365 per student but rather \$4,495 per student, or about \$130 more than what inflation would require us to place per student into the state aid to education formula or the one time dollars as well. But then as you move forward and you figure this in, just inflation would have increased funding per student by \$476.57. But what we actually did was add an additional \$130 more than inflation, making the grand total including this particular year of about \$606 more per student than when I started working with you as governor of South Dakota. What does that amount to? That amounts to, for a classroom size of 20, about \$12,135 more in assistance to the formula in one time dollars than what we were providing in 2003 when I starting working with you as governor.

How does it lay out? Well, our formula lays out and says there are different breaks. There are, today within South Dakota, some schools that get the basic amount. We have 125 districts though out of 168 that get more than the basic amount, which is shown on the previous slide of about \$4,496 per student. Of the 125 districts, now that's 74 percent of all the districts will get more than that amount based upon the small school factor that begins if you have a district size of

600 or less. If you have between 200 and 600, and right now there are 77 districts that have between 200 and 600 students, they can get up to 20 percent more per student—so somewhere between \$4,496 and \$5,395 per student in the formula. But if you have less than 200 students in your district, you get the full 20 percent, which is \$5,395 per student in the district after you've added in the small school factor.

This last year, we amended the formula basically again and we added a new portion and that was the sparsity factor. Included on this are two types of dots. First of all, there are basic dots showing where the schools are located across the state. But the large red dots indicate the schools that are qualifying for the sparsity factor. Now sparsity in 2007 we are adding \$2.3 million into the plan and sending back to these 22 sparse school districts. It's going to be \$2.4 million in the 2008 budget. Let me share with you what the criteria are that's been established by the legislature to send this additional \$2.4 million back to these particular districts that we've identified by definition as being sparse. The district is one that has an average daily membership per square mile of one-half of a student; has an average daily membership of 500 or less in the entire district; has an area that it services of over 400 square miles; has at least 15 miles between its secondary or its high school attendance center or centers and that of an adjoining district; operates a secondary attendance center; levies its property taxes at the maximum rates allowed pursuant to our Section 10-12-42 or more; and has a general fund balance, a cash balance, of 30 percent or less excluding revenue received from opting out of property tax limitations. So if you look at that, you will have noted that most of them are in the western part of the state where we have few students and they're far between.

Moving on...we do have the opportunity for creating research opportunities within South Dakota and what we're trying to do with the Ph.D. programs, and this year we're asking for three additional, is to expand the Ph.D. programs as I stated earlier at USD, SDSU and the South Dakota School of Mines and Technology. The cost would be about \$1.8 million. But then we're also putting in the individual research seed grants. I alluded to it earlier, but let me share with you in particular about why I am interested in having these research grants continued on and expanded. These grants will help support faculty researchers as they develop research programs to become more competitive for external grants and contracts. The fiscal year '06 seed grant awards, the ones from 2 years ago, the awards of \$444,000 have brought in \$4.6 million in other grants, and we still have \$8.1 million in other grants pending. So by putting the seed grant money in, they were able to go out and to show the research opportunities to the federal

government and to private organizations who are assisting in funding that research here. That gives our young people and those faculty members the opportunity to do research within our state creating better job opportunities and commercial opportunities for small businesses to begin to grow right here in South Dakota instead of in universities or at university locations in other states.

The South Dakota Opportunity Scholarship expansion—once again, as I said, this would fund the 2,912 students projected to be receiving the scholarships in '08. Research and better educational opportunities truly do equal better jobs and more of our young people staying in South Dakota.

Let's go through the General Fund's major spending changes for taking care of people. This is the second category of our three large categories and it is \$33,761,856 of the total \$75 million increase in the proposed budget. It's about 44.5 percent of the increase, and it includes Social Services, Human Services and the Department of Health services.

But first before we get into all those different ones, I wanted to share with you a little bit about something we sometimes take for granted and we kind of slide over rather quickly. I thought it might be a good idea to talk about Medicaid because as we talk about taking care of people, Medicaid looms bigger and bigger all the time within our state. I thought it was a good idea to maybe go through just a brief description of what we mean by Medicaid.

Some people get Medicaid and Medicare mixed up. They're different. Medicaid is what we are talking about—another way of referring to is Title XIX of the federal code. So let me talk about Title XIX and Medicaid as being one and the same thing. Title XIX or Medicaid is a federal entitlement program created in 1965 as part of the Social Security Act. It is not Social Security.

It provides comprehensive healthcare to those in poverty such as the disabled, regardless of their age; children; and the elderly. Medicaid is available for those with incomes at or below 133 percent of the federal poverty level. Now in South Dakota that impacts 92,190 individuals. So what does it mean in terms of what the income level is? Well, in South Dakota, 133 percent of poverty for a household of four is \$26,600. For a first time expecting single mother, that number, 133 percent of poverty is \$13,034.

The state legislature in fiscal year 2000 authorized the state's Children's Health Insurance Plan (CHIP), which covers children in families with incomes at or below

200 percent of the federal poverty level, and we currently serve 12,145 individuals on that plan. Now the state's Children's Health Insurance Plan you are going to hear it called CHIPS. Now remember we said that is up to 200 percent of federal poverty. Well, how does that relate in terms of income levels in South Dakota? It means that individual or families, children that in families, where you have a family of two, if there's two people, a child and a parent, the income level is \$26,400 or less to be eligible for that child to have the state's Children's Health Insurance Plan coverage—health care. If it's a family of four, eligibility is if the income for the family is \$40,000 or less. So in those cases, the children in that family are eligible for the state's Children's Health Insurance Plan.

The Department of Human Services' consumers are developmentally disabled and/or emotionally disturbed individuals who receive Medicaid—individuals with a developmental disability or an emotional disability.

Medicaid is also truly the safety net or the funding source for individuals who have no where else to turn that have reached the insurance limitations or those with a catastrophic illness such as cancer, hemophilia, premature babies, and nursing home care. It is the largest payer of healthcare in South Dakota.

The reason why I share this with you is because Medicaid has two parts to it. The amount the federal government pays and the amount the state taxpayer picks up through the General Fund budget process.

When we talk now about taking care of people, the vast majority of the programs that we talk about includes some form of Medicaid built into them. Well, the Federal MAP or the FMAP, the Federal Medical Assistance Percentage, is the split between what the federal government pays and what the South Dakota taxpayer pays for those Medicaid services. The match rate will go from a state match of 36.54 percent to 39.25 percent. The costs here are within the Department of Social Services and the Department of Human Services only as identified in the slide. But the cost to the General Fund and therefore to the taxpayers of South Dakota is \$16.6 million more this next year than last year for the same services that were being provided.

The provider inflation at 3 percent for the Department of Social Services and the Department of Human Services—this is the cost involved for provider inflation—will be \$12.9 million.

The growth in services for those in need—well, we expect that the growth in services includes some utilization of medical services where some people are going to the doctor more. But primarily it's a projected growth of 1,353 Medicaid clients and a projected growth of 536 Children's Health Insurance Plan clients and some increases for foster and adoptive care. There are some mental health services increases, about 116 more people that will be receiving services in that category. Assistive daily services increase will provide funding for five additional consumers. Home and community based services will add about 67 consumers who are in need of services.

And, finally, beginning on July 1, 2007, children in non-psychiatric group and residential care will no longer be eligible for Title XIX or Medicaid funding. The totals of those: \$16.6 million just to meet our medical match; provider inflation of \$12.9 million; growth in services for those in need of \$5.9 million; lost Medicaid for juveniles because of a change in federal interpretation of their own rules, \$3.9 million; and then we found some savings in the Department of Social Services and some other areas to offset by about \$5.7 million this year, for a grand total of about a \$33.7 million total increase for the costs of taking care of people and matching those federal programs.

The federal match rate as I said, well the state bears about a 2.71 percent increase and the feds enjoy about a 2.71 percent decrease in their Medicaid funds. The cost to the taxpayers of our state is about \$16.9 million. Now, why is that? Why did our Medicaid match rate, our FMAP change? It's because the federal government measures each states economy and income growth. In South Dakota for the last 3 years, we've had the highest per capita personal income growth in the nation; therefore, they expect us to pick up a larger share of our Medicaid expenditures.

There are some built-ins in which the federal government dictates how much we do for provider inflation. The current forecast for inflation is 2 percent. Funding for this year, I've included it as 3 percent for provider inflation. While the total cost will be about \$13.2 million for provider inflation in General Funds, it will match \$32 million in total funds, where it will be part of a \$32 million total funds that would go to providers this year in South Dakota after picking up its federal match. What does it do? It preserves access to health care, especially in rural areas. It avoids cost shifts to private pay individuals, which helps keep the cost of health care down for everybody because about 60 percent of the cost is being picked up by the federal program through Medicaid. And, it helps to maintain critical Medicaid providers in areas that might otherwise decline to increase the number of individuals who are serviced by Medicaid as part of their patient portfolio.

Let's talk a little bit about the growth of health and medical services provided to South Dakotans. I said earlier, the 8-year increase beginning in 2000, this is when we started the CHIP, Medicaid caseloads are projected to increase to 92,190 in '08, an increase of 1,353 individuals. This is a 1.5 percent increase over fiscal year '07. The 5-year average increase in this area is 2.3 percent. So the increase is not as great as it's been in past years.

The CHIP (the Children's Health Insurance Plan) at the state level—caseloads are projected to increase to 12,145 in '08, an increase of 536 children being served. This is a 4.6 percent increase over '07. The 5-year average increase in this area is 6.4 percent. Once again, we're moving in the right direction. The increase in the number of those individuals eligible is starting to level out a little bit in terms of our expenditures of funds through this program.

Human Services consumers included in this chart are Mental Health Services, Assistive Daily Living Services and Home and Community Based Services. Caseloads are projected to increase to 11,067 in '08, which is an increase of 411 or about a 3.7 percent increase over '07. The 5-year average is about 4.6 percent so we're down a little bit in that category as well. But if you notice, the 8-year increased from 78,470 to 115,402 individuals being serviced by these individual programs.

Let's talk a little bit about the loss of Medicaid for juveniles. The state was notified in April of this year that children in non-psychiatric group and residential settings would no longer be eligible for Title XIX or Medicaid funding. The General Fund increase results from the loss of federal funds for those youth that no longer qualify for Medicaid. An increase in the cost of services for those that do qualify for Medicaid, but have to go to these new facilities that provide these psychiatric services, and then there are a projected 217 individuals—132 in the Department of Social Services and 85 in the Department of Corrections—these are the children that will no longer qualify for Medicaid under the new interpretation. The cost for the state taxpayers is an increase of \$6,300,000 because of this change in the interpretation by the Centers for Medicare and Medicaid Services. And, by the way, that's not just in South Dakota, that's occurring throughout all the states in the United States.

General Funds—the major spending categories for protecting society—this is including the areas of Corrections, Public Safety, the Unified Judicial System and the Attorney General's Office—it's about \$4,955,372 and I'd like to go through

that with you. It's an increase of about 6.5 percent total overall. Beginning with them, let me just share once again I talked already that included in all this is employee compensation for the Unified Judicial System, the Attorney General's Office, Department of Corrections and the Department of Public Safety. The salary policy component is included in all of these.

Lost Medicaid for juveniles, as I just talked about, the Department of Corrections has juveniles there that before had eligibility for Medicaid. Since they no longer have that, it's going to cost us about \$2.3 million because of that loss.

Unified Judicial System budget increases of about \$1,244,000—they are requesting in their budget this year, and the Chief Justice of South Dakota will share with you their thoughts on this and the need for these FTEs of about 15.8 FTE is \$645,000. The community based services—an increase of about \$151,000 and microfilming of the clerk records of about \$200,000 are included in this category.

Correctional health care—the increase is mainly due to inmate growth—about 5.9 percent in fiscal year '07 and projected at about 4.1 percent increase in the number of inmates in '08. It also includes the inflationary increases there as well.

And, finally, utilities for all our correctional facilities in the amount of \$596,000.

We were able to find and we will share with you decreases of about \$3,097,000 in these same areas. A major decrease in this category is due to the calling of Series A Bonds, thus resulting in a reduction of about \$4.5 million in annual expenditures.

General Funds major spending changes for the rest of state government—well, if you notice this thing we've gone from Education with \$35.6 million in it, taking care of people with \$33.7, protecting society with about \$4.9 million and then the rest of state government at \$1,454,846 in increases and it basically accounts for 2 percent of the overall increase in the state budget for the coming year. This includes the Department of Game, Fish and Parks; the Department of Tourism; the Department of Military and Veterans Affairs; the Department of Agriculture; the Department of Environment and Natural Resources; the Department of Revenue and Regulation; the Department of Labor; the Department of Transportation; all of the executive management offices of state government; the legislature; the State Auditor; the State Treasurer; and School and Public Lands.

Let me share with you just a couple of highlights of this particular one in the funding that we've got. If you notice the bottom is \$1,454,000 in spending. Tourism and State Development is probably the one item that stands out the most because I'm asking for a million dollars for a challenge grant for Tourism. I want the Tourism industry to match this with new money so we can advertise South Dakota. I've included that as part of this budget. The last time we did it, we were able to show the successes in building our tourism industry—bringing more business into South Dakota, creating a larger tax base so that our citizens aren't paying the sales tax—people coming into South Dakota visiting, enjoying the scenery, the wildlife of South Dakota and leaving again—those individuals are picking up a larger share of our sales tax revenue in terms of their visitation times within our state. I think this is money well spent, and when we have partners in the tourism industry that are working with us to promote that, it's a good win-win situation for them and for the citizens of South Dakota.

Along with that I would just simply point out as you work your way down back through this, we've got a meat inspector in the Animal Industry Board—we need to increase the compensation to allow for a decrease in federal dollars and we are switching a part-time position to a full-time position because of demand as we bring on more locations that are processing meat within our state.

Military and Veterans—these are simply utility increases for their facilities and food service inflation and psychiatric services for non veterans who are located at the State Veterans Home.

In the Department of Revenue, we have an increase of about \$85,000—that is for a property and special taxes FTE to audit Bank Franchise Taxes.

And, finally, under executive management you will notice a decrease of \$824,000 and that is due to a decrease for the sale and leaseback—it's a decrease for space billing also for the Bureau of Administration to offset increases in other agencies. It's an opportunity for us because the federal government has agreed to participate in some more of our rental costs for some of those other agencies. We have a chance to decrease the amount of General Funds necessary for some of those lease costs. The total is \$1,454,846 for the rest of state government.

Let me take a look, and you've heard time and again now, I've talked about the federal cuts to our budget. Excluding the federal matching rate of nearly \$17 million, here's a list of some of the other areas in which reductions in federal funding are costing taxpayers of South Dakota to come up with additional

resources. The Attorney General, loss of Byrne funding to the tune of \$297,000; Human Services, the loss of \$694,000 due to the loss of a meth earmark program; Corrections, the loss of Title XIX funding for non-psychiatric group and residential facilities will cost that department \$1,756,000 in General Funds; the Animal Industry Board, the state meat inspection, the loss of federal food safety inspection services, the cost \$127,000; Education, the loss of education service agency funds through No Child Left Behind, requesting that the dollars be reallocated into assessments, that is a \$1,417,000 loss; Social Services, the Department of Social Services has lost funding, the loss of the Title XIX funding for non-psychiatric group and residential facilities, and the Division of Child Support no longer being able to use incentive awards as a match for other federal funds, the total net cost and the request from the taxpayers is a \$4.75 million increase; the Unified Judicial System has lost due to a decrease in grant funding from the Department of Justice use for information and technology, \$312,000; net grand total losses from federal funding for this year, \$9,379,182, which is being picked up by elsewhere within the dollars—some under discretionary, some under mandatory parts of the budget that we've discussed.

One area in particular, this is a young lady who found herself addicted to meth. It didn't take long for some pretty bad things to happen. During the time in which she was on meth, her looks changed. We now use a picture of this individual, along with pictures of other young people that have an addiction to meth. Meth addiction can come in as short as one usage of this illegal substance.

We've started a new Unit H, as we call it, at the Women's Prison. This is a multi-agency program, including the Department of Health, the Department of Human Services and the Department of Corrections. This is a four phase, approximate 15-month pilot program for female inmates and parolees who are addicted to meth.

Now let me share with you as we go through the slide the problem that we find ourselves in and we are not alone. This is something across the United States. In the spring of '05, there was a survey done of young people in high school. We found that 7 percent of them admitted to using methamphetamines at least once. But what was really scary is that 9 percent of tenth grade girls were using meth or had used meth. By the time they became juniors, 12 percent of them admitted to using meth. What's going on is that girls are being told by people that cook meth and people who have access to it that first of all meth is nothing more than a diet pill—a really good diet pill. Second of all it's an energy pill. What they don't share with these girls is that it destroys their teeth—destroys their body from within—and the use of it one time can give them such a high that they're addicted

to the drug and will do anything to get it. The guys have figured that out. What they're doing is they're hooking the high school girls on meth because those girls are dependant on them once they get started on it. Now what we're finding is that these kids will do anything and they are directly involved in criminal activities.

We've had increases in our prison populations directly attributable to meth addiction. Our Chief Justice, David Gilbertson, last year in his State of the Judiciary said that anecdotally he believes that 75 percent of all of the felonies convicted in South Dakota are due to meth activity—people on meth, people trying to steal money to get meth, people trying to get money that's owed because of a meth sale.

This drug, this illegal substance, is coming in across our borders; it's coming in from Mexico. You've done your part in restricting the creation of meth in South Dakota. You've helped to reduce the pipeline that has been created in South Dakota by meth cooks here by reducing the amount of ephedrine and pseudoephedrine that you allow for sale in drug stores and so forth. We've got the public out looking for meth cookers. We're advising people that are trying to use anhydrous or stealing anhydrous that they may very well be trying to create meth. It's still coming in from other locations.

What we have to do is find a way to reduce the demand for meth. And that's what this is all about. In our prison system right now, in 2006 up through the first of November, 32 percent of the men that have come into the system this year have a meth addiction—32 percent. But 47 percent of the women have a meth addiction. Now if we can attack this, first of all by prevention and second of all by rehabilitation, we can go a long ways toward keeping people out of trouble and out of our care in the correctional facilities. Part 1 is to address the issue for these women who have become addicted to meth and over an extended period of time, we believe we can successfully treat. It takes a minimum of 9 months. Nine months just to get this poison out of your system.

Along with that, the Unified Judicial System once again is requesting that you approve a Drug Court to be located in the 4th Circuit. It's included in our budget proposal. I am asking that you do so, so that we can try and treat some of these addictions at the community level rather than incarcerating them in our prison systems. Now, there is evidence in other states because we are one of the few states that do not have a Drug Court now. We believe this can be successful, and I want your questions on it, but I want your participation in solving the problem.

With regard to meth programming, the Department of Human Services has a meth programming plan that this funding will allow the department to continue meth-specific treatment. We lost a federal grant at a time in which I think it's critical that we continue the program on. Not always when we lost a federal grant will I ask you to simply step in and pick it up. But in this case, I think it's important that we do so.

And, finally, meth education campaign—this is a three-phase education campaign on the dangers of meth, specifically in the schools. I went to 12 schools, visited with them and took with me a young man by the name of Jeremy Buchholz who has been clean from meth for more than 10 years now. He served time in South Dakota prisons, and in Minnesota prisons, he went through rehabilitation, he's now a counselor. He's helping young people get off this. He works with us and he goes to the schools and he tells them what's going on and what it is. His message is brutally frank but it works. In every single setting that we were at, we had young people coming up to Jeremy and counselors asking for help and asking how they can get out and what they can do to get their friends off of meth. This is critical—we want your assistance in fighting this addiction.

Moving on, the 2008 proposed FTE increases—remember an FTE is not a full-time employee, it is a full-time equivalent of someone doing 40 hours per week, 52 weeks out of the year. It means doing work. It could be two people working 20 hours each week. It could be four people working 10 hours per week, so what you have outside of the control of the governor, meaning the Unified Judicial System and the Board of Regents are requesting a grand total of 110 additional FTEs.

Under the control of the governor, our net would be a reduction of 0.8, just slightly less than one FTE for the coming year. But let me explain that this is 109.1 total increase for state government. Let me explain where these FTEs are and what we're requesting. Under the control of the governor, we are requesting, Revenue and Regulation is requesting eight FTE's, five to audit out-of-state businesses, one in business tax to administer a refund program, one in banking for trust fund examinations, and one for motor vehicles due to the transfer of the Single State Registration System and the Unified Carrier Registration from PUC to the Department of Revenue and Regulation.

Health is requesting four FTE due to an increased inmate count because we provide the healthcare services internally. One FTE is for the Intensive Meth Treatment Program.

The Bureau of Information and Technology is requesting four FTEs to convert consultants who are currently on contract to FTEs for a cost savings in the department of Social Services and the Department of Transportation of over \$317,000 net in expenditures by changing from contract services to FTEs.

Public safety is requesting three FTEs for emergency management due to an increase in their workload.

DENR, the Department of Environment and Natural Resources is requesting one FTE for a natural resources engineering director for an expanding ethanol industry, which will be funded by an increase in the air fees; one FTE for a natural resources engineer for economic development projects, such as ethanol plants and industrial facilities; and one FTE for a natural resources engineering specialist for increased workloads in municipal and industrial stormwater and construction projects. We don't want to hold those projects up and we're falling behind.

The Department of Labor—three FTE reduction due to an employment security federal grant loss. We're simply taking out the FTEs rather than requesting the funding.

The Department of Education—decrease of four FTE in the area of the State Library as we make changes to State Library services.

Transportation—decrease of 21 FTE to bring the FTE count in line with last year's FTE usage. We've looked at it—because of the part-time that they use, they have a number of FTEs. When we looked at the total number of FTEs they have actually utilized vs. the number they had available, there were 21 that were available that we don't need to have there anymore.

Seven agencies, three bureaus and the Governor's Office—one FTE in the Bureau of Personnel for a benefit analyst for the state's benefit plans, one FTE in the Bureau of Finance and Management for a financial system analyst to continue upgrades and maintain the accounting system, and one FTE in the Animal Industry Board's Meat Inspection Program due to the increased workload statewide.

Now, if you'll look at the total increase in that area outside of the governor's control, is 110 FTE—15.8 in the Unified Judicial System, six in the Attorney General's Office—88.3 in the Board of Regents. Let me go through them quickly. The Board of Regents, we've looked at it, we're recommending these. Of the

88.3 FTEs, 51.8 FTE for research grant personnel; 19.0 for graduate assistants, 12.0 of those for Ph.D.s; 10.5 for support staff for enrollment increases. Even though our K-12 enrollment is decreasing, in South Dakota these young people are going on to technical schools and on to colleges and universities. We have the highest percentage of high school students in the nation that are going on to further their education beyond the high school level, and our universities are growing in size—that's a good thing, but we want to make sure we have adequate staff to properly give those young people the best education we can. And, finally, seven FTE for the Ph.D. program's faculty.

The Unified Judicial System is requesting 15.8. 10.8 FTE due to increases in their caseloads; 3.0 FTEs for the new Drug Court; and 2.0 FTEs for a new circuit judge as authorized by the legislature last year.

The Attorney General's Office is asking for 6.0 FTE—2.5 FTE for DNA examinations in their new laboratory; 1.5 FTE for DCI instructors because we've got more of our law enforcement officers who are getting their training in South Dakota rather than out of South Dakota now; 1.0 FTE for the Sex Offender Registry; and 1.0 FTE for the Conference of Western Attorney Generals. This is an individual who was formerly employed by the Attorney General—now employed by the Conference of Western Attorney Generals but who will be housed here in Pierre and they will pick up the tab but we have an FTE to account for.

The 2007 emergencies—now you remember you have two emergency time periods here. One for the year that we're in, for this year before the end of June, and that's what I want to talk about here. Under the General Funds, we are requesting emergency special appropriations to do the following:

- Drought resistant research center—for a drought tolerance biotechnology research center that will focus on research that leads to emerging technologies in drought tolerant crops at South Dakota State University. That's \$2,962,500.
- Emergency and disaster fund—to cover costs related to disasters in South Dakota during this last year, I am requesting \$1,503,029 to fill that expenditure.
- Vet's Home life safety improvements of \$1,082,783 for renovation and facility upgrades that address fire safety issues in the nursing care building at the State Vet's Home.
- K-12 schools sparsity shortfall—this is \$818,762 for this year. As we agreed last year, if you place the \$1.5 million in the funding category, if it

came up to more than that and we had some additional schools that qualified, we would request it this year in a special appropriation—we are following through with our commitment. The funding for sparse districts as per Senate Bill 198 in 2006 indicated that we would pick this up this year. The estimate shows that 22 districts would qualify—the \$1.5 million which was appropriated last year, along with this money will take care of that need through the rest of the year.

- The Fire Suppression Fund—a request for \$695,256 that would be to cover the costs of suppression of wildfires in South Dakota during this past year.
- The Cement Trust Earnings for Education Enhancement—that's \$571,385 is recommended that these extra earnings from the trust fund be used to help in funding the South Dakota Opportunity Scholarship, coupled with some ongoing General Funds.
- And, finally, \$200,000 for the Brookings Armory upgrade for the renovation of the Brookings Armory as part of the Army National Guard transformation plan.

2008 for next year there are several special appropriations—these are one time appropriations. I'd like to share them with you and give you some information on them.

- K-12 school district sparsity—this year it was about 2.3 million, we're estimating that next year that cost to be about \$2.4 million.
- There is an opportunity for the state of South Dakota to purchase the Capitol Lake Plaza. We currently house Tourism and State Development there. It is available, it is a good buy. The purchase of the Capitol Lake Plaza, which is right at our campus here on the south side of Capitol Avenue next to the baseball field, would be from the South Dakota Community Foundation. The acquisition cost amounts to about \$50 per square foot. We can't build buildings for that kind of money and if someone else purchases then we end up continuing to pay rent and in this particular case we think it's an appropriate use of one time funds.
- The tax refunds for the elderly and disabled—the annual tax refund bill for the elderly and disabled individuals who meet the income guidelines—we have done this in the past—it's a million dollars.
- The State Fair—to cover the projected operating shortfall for the 2007 State Fair is \$750,000 that I'm requesting as a special appropriation.

- The legislature, as per your Senate Bill 179 last year, you want to remodel the 4th floor of the Capitol for your use. The estimated cost is \$408,100. I've included it as a special appropriation.
- School district consolidation incentives—there were no new consolidations for the past 2 years. These are just paying for the year three of the past year's consolidations. The cost for those consolidations incentives is \$251,276.
- The rural health tuition reimbursement—in the amount of \$250,315 includes reimbursement for four doctors, two physician assistants, and one dentist.
- Pine Beetle suppression—this is \$175,000 for Pine Beetle suppression which is in a huge mode in Custer State Park and has to be addressed during this time of drought.
- Then we have a \$50,000 request for a resident dentist externship program. This is to compensate dental schools for the cost of sending South Dakota dental students back to South Dakota for a 3-week externship experience. What we're trying to do is to get them to come back to South Dakota and get them connected with dentists here so we can start addressing the shortcoming or the shortfall of the number of dentists within our state. We've got a shortage. This is one way to bring some more of those young people back in and establish roots within our state.

And, finally, you may have noticed on this list of special appropriations for 2008 that there is no set amount for the Sales Tax on Food Refund Program. It's not that it's going away, because it's not. It's because right now with the appropriations that we've had over the last 2 years, we have enough resources available to make it through another year without requesting any additional resources.

State employee compensation. I am once again requesting the salary policy plan and program that was originally started by Governor George Mickelson. This is a 3 percent salary policy, along with a 2.5 percent movement toward job worth for those individuals who have been with the state 7 years or less and they get a 2.5 percent increase for each of those first 7 years. And then the continuation of the longevity program which begins in the eighth year. And then, along with that, a 4.2 percent increase in the cost of health insurance costs to pick up the costs of healthcare for

state employees. The total for the employee compensation package is \$11.6 million in General Funds or \$27.3 million in total funds.

Now if you will notice, I've identified that the cost for health insurance that we're asking the taxpayers to pick up for state employees is an increase in the health care package of 4.2 percent. Compare that with the plans around us. If you notice, North Dakota, their requested increase is 22.9 percent, Wyoming 21.0 percent, Iowa 12.1 percent, Montana 10.0 percent, Minnesota 9.9 percent, Nebraska 7.0 percent, South Dakota at 4.2. The reason because state employees are actually doing a very good job of working toward managing their own healthcare, they're picking up co-payments, and deductibles, and they are following through with a system in which they're in a network in which we work very, very hard to get them to the most cost competitive services throughout the state of South Dakota, and keeping them in network. When they go out of the network, they pay a higher deductible and higher co-pay. In doing so, we're able to restrain the costs of healthcare while at the same time providing a very good benefits package for employees.

The budget overview—for 2008, the General Funds for the state of South Dakota, we are requesting your approval of a \$1,142.8 million General Funds budget—federal funds expenditures of \$1,346.1 million and other funds expenditures of \$846.4 million, bringing our total state budget to \$3.3 billion. This includes special and continuous appropriations and represents a growth of 3.5 percent overall.

The ongoing budget changes from last year to this year—for fiscal year 2008, the General Funds will grow by \$75.8 million, the federal funds will grow, if you notice by a much smaller amount, \$20.3 million, and other funds by \$40.5 million for a total increase in the entire budget for all categories of \$136.6 million. This excludes special and continuous appropriations and represents a growth of 4.3 percent overall in net increases.

What do your tax dollars pay for? Well, this is the slide that a lot of you have used when you go back home. Fifty cents of all the taxpayers' general fund dollars go to K-12 education, higher education, technical schools and the Department of Education.

Thirty-three cents out of every tax dollar goes to taking care of people. That includes Medicaid; the State Hospital; Temporary Assistance to Needy Families; the Department of Social Services, the Department of Human Services and the Department of Health.

Eleven cents goes to protecting the public, which is the Department of Corrections and our penal system, the court systems, public safety and the Attorney General's Office.

And, six cents out of every dollar goes to all the rest of state government which includes eight departments, four bureaus, legislature, the Governor's Office, the five constitutional offices and all the special appropriations that we've asked you to approve.

That, ladies and gentlemen, concludes our overview of our proposal to you of how we make South Dakota better in the future. Before I stop this afternoon, I would like to acknowledge the hard work of a number of members of the Bureau of Finance and Management who have worked with our different departments across the state and putting together this budget proposal for you. When we first started looking at this, we were looking at budget deficits well over \$70 million. They worked with the departments and they found ways in which to change and to reallocate and to reduce proposals. They've done a good job. They started working on this very, very hard and made their first proposal, the initial proposal, to me in September and continued to work throughout the fall.

I would like to acknowledge, please, and if you would hold your applause until I get them all standing—I think they've done a very, very good job for us. The commissioner of the Bureau of Finance and Management, Jason Dilges, Jason please stand. Colin Keeler, the director of Financial Assistance. Tammy Darnall, chief budget analyst. Jim Terwilliger, the economist. Kelly Beck, senior budget analyst. Jenna Friedrich, budget analyst. Liza Sizer, budget analyst. Josh Larson, budget analyst. And from my office, senior advisor, Jim Soyer. My chief of staff, Rob Skjonsberg. My outgoing press secretary and communications officer, Mark Johnston. And, senior advisor, Kevin Forsch, for all their hard work. Would you please join me in thanking them for their hard work in putting this together?

And, finally, at a time like this, in which we come together, we come together to do the work that we look forward to really making life better in South Dakota for those who have elected us. It's never inappropriate and in fact it is always very appropriate to reflect for just a moment on all of the blessings that we have to say thank you for. We've been through a time in which our country is at war, we've lost some of our soldiers, but we remain safe at home. We've come through a time in which we had ice storms last year, blizzards last winter, we've had drought conditions throughout nearly two-thirds of our entire state and wildfires in some cases would amount to more than 20 to 30 per day in the western part of our country. And yet through it all, the good Lord protects us and watches over us. There's always an opportunity to reflect on all the good things that we do have and that we should be thankful for. And, at the same time, to reflect on our opportunity as elected people here to do the business of the people. They've elected us, they expect us to work together to recognize that as we discuss better ways of doing things that we do it in a civil manner that reflects well for our children on a society that has been blessed. And that regardless of the differences that sometimes separate us and the debate on the issues is healthy that we will always have more in common than we will ever, ever disagree on.

Today though we should also reflect on that group of individuals who have helped to make us and keep us a free society. The individuals who have stood on the front lines defending our security, defending our freedoms, making this the greatest place in the world to live, and I speak of the men and the women who have so proudly worn the uniform of the United States of America. Ladies and gentlemen, I would ask all of our veterans and current members of the Armed Forces of the United States of America to please stand and to be recognized for their service and their sacrifice for themselves and for their family members. Veterans and current members of the Armed Forces, please stand and be recognized.

With that, ladies and gentlemen, I look forward to working with you in making South Dakota even better. Thank you.