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Budgeting for the Future [Senate Bill 11](#)ⁱ

By [Joy Smolnisky](#) 2-5-14

Almost every state should adopt a much more rigorous approach to their long-term budget planning, according to a [new report](#)ⁱⁱ from the Center on Budget and Policy Priorities. The report ranks the states on the degree to which they use ten proven tools to help states chart their fiscal course accurately and make mid-course corrections when needed.

South Dakota's score of 3.0 out of 10 on this survey gave it a ranking of 50th among the states

Map of the future

A breakdown of the tools each state uses is included in the report [SD Budgeting for the Future Factsheet](#).ⁱⁱⁱ

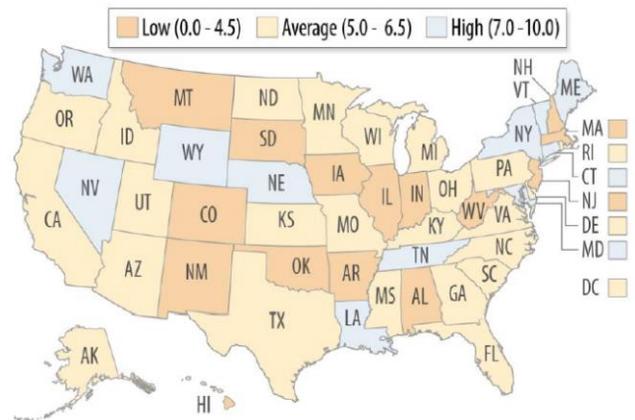
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This is the category of tools that is requested in [Senate Bill 11](#)ⁱ by the Executive Board of the Legislative Research Council. The bill requires the submission to the Legislature of a financial plan that assesses the long-term financial implications of current and proposed policies, programs, and assumptions.

Room for Improvement Across the Country

Sound budget planning is not a regional practice. In all parts of the country, some states are doing a good job while others need considerable improvement. The map below shows how South Dakota compares to its neighbors.



Which Tools Does South Dakota Use?

Does not use (0) Needs improvement (.5) Well designed (1)

Map of the future?	Credible projections?	Staying on course?
<p>Multi-year forecasts of revenues and spending <input type="checkbox"/> Detailed and accessible projections of revenues and spending for at least five years into the future.</p>	<p>Independent consensus revenue forecast <input type="checkbox"/> A formal mechanism to create consensus among the executive and legislative branches on a revenue forecast for upcoming years.</p>	<p>Well-designed rainy day funds <input checked="" type="checkbox"/> A reserve fund designated for situations where state revenues drop or expenditures increase unexpectedly that is funded adequately.</p>
<p>Fiscal Notes with Multi-Year Projections <input type="checkbox"/> Fiscal notes that regularly include estimated savings or costs for the current year and for at least five years into the future.</p>	<p>Legislative fiscal office <input checked="" type="checkbox"/> The budget and other bills that require increased spending and revenues are reviewed and analyzed by a non-partisan fiscal agency.</p>	<p>Oversight of tax expenditures <input type="checkbox"/> Published information on the costs of tax expenditures and expiration dates after a set number of years.</p>
<p>Current services baselines <input type="checkbox"/> An estimate of how much it will cost a state to continue to deliver the same quantity and quality of services to residents it is delivering currently.</p>	<p>Pension oversight <input checked="" type="checkbox"/> Regular accessible reviews of methods used to determine future pension funding by independent authorities.</p>	<p>Pension funding and debt level reviews <input checked="" type="checkbox"/> Adequate pension contributions and oversight of investments as well as guidelines for the amount of debt that can be incurred.</p>
		<p>Budget status reports <input type="checkbox"/> Regular reports on revenue and spending projections in order to determine if the budget is on track.</p>
Total score: 3.0 (out of 10)		



Budgeting for the Future [Senate Bill 11](#):

Excerpt from SB11:

Section 1. The Bureau of Finance and Management, at the direction and under the control of the Governor, and subject to the provisions of this Act, shall develop a long-range financial plan to be delivered to the Legislature at the time of the annual budget submittal. The Bureau of Finance and Management shall consider the recommendations of the Legislative Planning Committee created pursuant to § 2-6-26.

Section 2. The long-range financial plan shall provide awareness of options, potential problems, and opportunities. The report shall contain all pertinent information for the next ten years and include, at a minimum, the following:

1. Analysis of fiscal trends;
2. Assessment of problems or opportunities facing the State and actions needed to address these issues;
3. A long term approximation of revenues and expenditures that uses alternative economic, planning, and policy assumptions.

Staying the Course – Tax Expenditures

The Administration has already begun taking steps to address oversight of tax expenditures – a recommended budget tool for “staying the course”. For the first time, in the [Governor’s FY15 Budget Summary](#)^{iv}, a listing of tax expenditures was included (pps. 18-21). The tax expenditure report details the estimated annual general fund revenue lost because of sales and use tax exemptions granted in South Dakota. This foregone revenue is significant at \$630.5 million dollars per year (equal to 75% of the sales and use tax collect actually collected in the state, which is expected to be \$835.2 million in FY15). The Bureau of Finance and Management (BFM) confirmed that the Revenue Department plans to update the report annually and BFM plans to continue publishing it in the future.

South Dakotans want to understand their state budget process

The SD Budget & Policy Institute began to [research](#)^v and explain the value of South Dakota’s missing budget tools in 2010. In the Fall of 2011 the SD Budget & Policy Institute partnered with the Extension Service to conduct eighteen [South Dakotan Talking](#)^{vi} sessions in sixteen communities across South Dakota to discuss the budget process. Citizen suggestions arising from those meetings included changing the budget process to make it more accessible for public input and provide greater transparency within the system.

BUDGET PROCESS (Eleven small group discussions in 11 communities)	
1. Budget system scheduling.	<ul style="list-style-type: none"> • Adjust timelines/deadlines to better allow for public input. • Legislature could lengthen session or recess to allow more time to consider/analyze general appropriations bill amendments
2. Transparency within the system.	<ul style="list-style-type: none"> • Increase transparency of executive budget process. • Educate citizens on the budget process. • Apply revenue/budget analysis to tribal government.

ⁱ <http://legis.sd.gov/docs/legsession/2014/Bills/SB11P.pdf>

ⁱⁱ <http://www.cbpp.org/cms/index.cfm?fa=view&id=4085>

ⁱⁱⁱ <http://www.cbpp.org/files/2-4-14sfp-factsheets/SD.pdf>

^{iv} http://bfm.sd.gov/budget/rec15/SummaryBook_FY2015.pdf

^v <http://www.sdbudgetandpolicyproject.org/fiscal-tools-that-could-help-inform-south-dakota-budget-decisions>

^{vi} <http://www.sdbudgetandpolicyproject.org/wp-content/uploads/2012/03/South-Dakotans-Talking-Final-Report-February-2012-2.pdf>