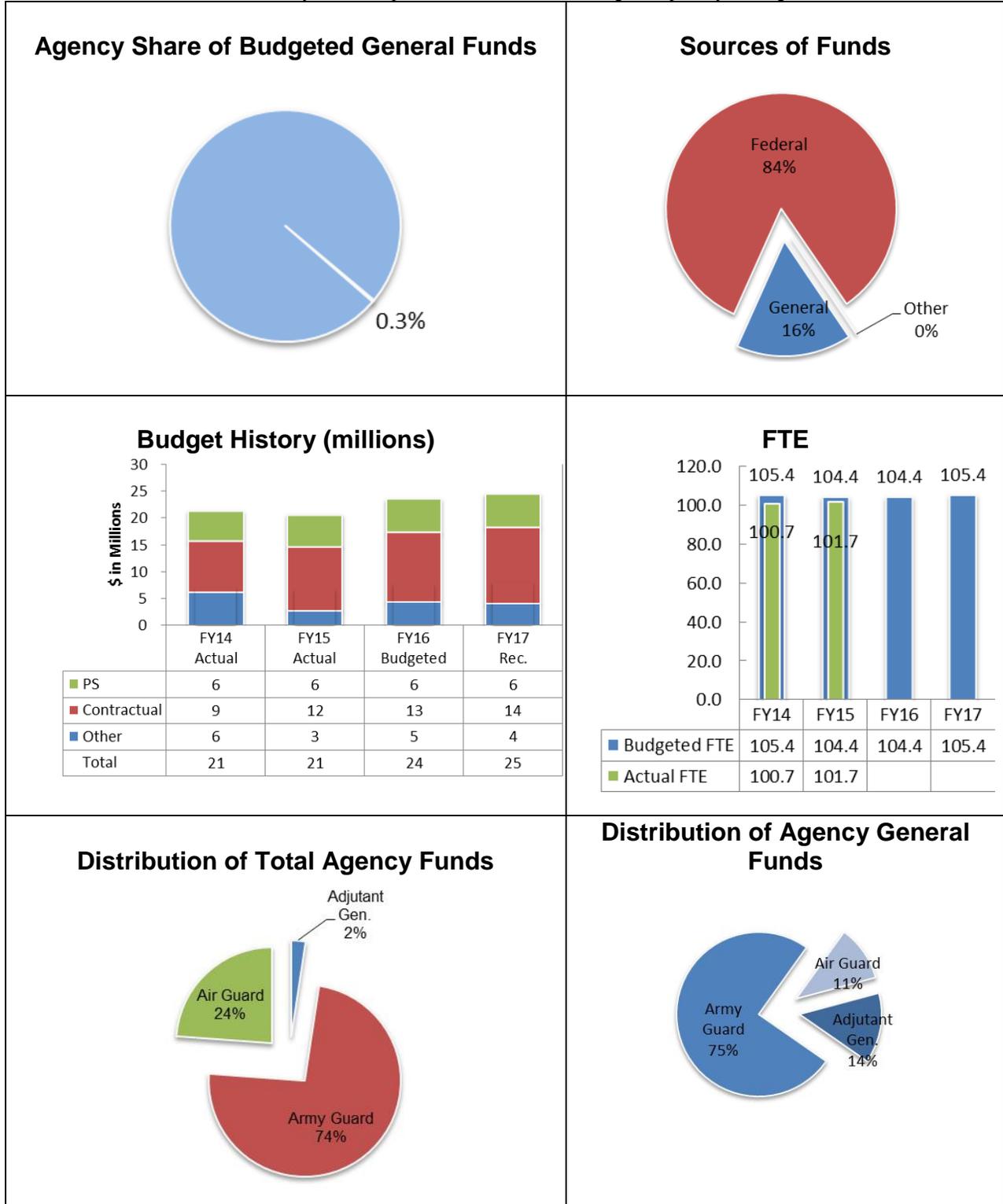


# FY17 Budget Briefing

## Department of the Military

Information contained in this document is based on the Governor's original recommended FY17 budget.  
This document may not correspond with the final FY17 budget adopted by the Legislature.



## Key Personnel

- Major General Timothy Reisch, Adjutant General/Secretary
- Connie Hohn, Budget and Finance Director
- Steve Harding, Deputy Secretary

## Department Total

	Actual FY2014	Actual FY2015	Budgeted FY2016	Agency Request FY2017	Gov Rec FY2017	Gov Rec Inc/Dec FY2017	% Change From FY2016
<b>Personal Services</b>							
Employee Salaries	4,145,471	4,416,658	4,647,683	4,688,296	4,678,143	30,460	0.7%
Employee Benefits	1,503,643	1,497,218	1,545,885	1,559,637	1,556,199	10,314	0.7%
<b>FTE</b>	100.7	101.7	104.4	105.4	105.4	1.0	1.0%
<b>Funding Types</b>							
General	955,224	967,793	1,013,955	1,027,546	1,013,955	0	0.0%
Federal	4,693,890	4,946,083	5,160,757	5,201,531	5,201,531	40,774	0.8%
Other	0	0	18,856	18,856	18,856	0	0.0%
<b>Total PS</b>	5,649,114	5,913,876	6,193,568	6,247,933	6,234,342	40,774	0.7%
<b>Operating Expenses</b>							
Travel	81,088	75,280	109,220	109,220	109,220	0	0.0%
Contractual Services	9,392,045	11,936,929	12,896,392	13,928,183	14,205,581	1,309,189	10.2%
Supplies & Materials	924,206	914,399	908,551	804,948	804,948	(103,603)	(11.4%)
Grants And Subsidies	1,166,871	1,396,016	1,530,188	1,530,188	1,139,005	(391,183)	(25.6%)
Capital Outlay	4,163,912	460,640	1,973,427	2,077,427	2,077,427	104,000	5.3%
<b>Funding Types</b>							
General	2,377,644	2,727,965	3,089,302	3,290,534	2,954,831	(134,471)	(4.4%)
Federal	13,346,587	12,054,866	14,318,455	15,149,411	15,371,329	1,052,874	7.4%
Other	3,891	433	10,021	10,021	10,021	0	0.0%
<b>Total OE</b>	15,728,121	14,783,264	17,417,778	18,449,966	18,336,181	918,403	5.3%
<b>Totals</b>							
<b>Funding Types</b>							
General	3,332,868	3,695,758	4,103,257	4,318,080	3,968,786	(134,471)	(3.3%)
Federal	18,040,477	17,000,948	19,479,212	20,350,942	20,572,860	1,093,648	5.6%
Other	3,891	433	28,877	28,877	28,877	0	0.0%
<b>Total</b>	21,377,236	20,697,139	23,611,346	24,697,899	24,570,523	959,177	4.1%

## Department Object Detail

Item	Actual FY2014	Actual FY2015	Budgeted FY2016	Governor Rec FY2017	Inc/Dec Over FY2016	% Change Over FY2016
<b>PERSONAL SERVICES</b>						
General	955,224	967,793	1,013,955	1,013,955	0	0.0%
Federal	4,693,890	4,946,083	5,160,757	5,201,531	40,774	0.8%
Other Funds	0	0	18,856	18,856	0	0.0%
Total Personal Services	<b>5,649,114</b>	<b>5,913,876</b>	<b>6,193,568</b>	<b>6,234,342</b>	<b>40,774</b>	<b>0.7%</b>
FTE	100.7	101.7	104.4	105.4	1.0	1.0%
<b>TRAVEL</b>						
General	30,653	32,730	34,290	34,290	0	0.0%
Federal	50,434	42,550	74,930	74,930	0	0.0%
Other Funds	0	0	0	0	0	0.0%
Total Travel	<b>81,088</b>	<b>75,280</b>	<b>109,220</b>	<b>109,220</b>	<b>0</b>	<b>0.0%</b>
<b>CONTRACTUAL SERVICES</b>						
General	1,758,702	2,191,483	2,173,979	2,436,592	262,613	12.1%
Federal	7,629,681	9,745,446	10,715,392	11,761,968	1,046,576	9.8%
Other Funds	3,662	0	7,021	7,021	0	0.0%
Total Contractual Services	<b>9,392,045</b>	<b>11,936,929</b>	<b>12,896,392</b>	<b>14,205,581</b>	<b>1,309,189</b>	<b>10.2%</b>
<b>SUPPLIES AND MATERIALS</b>						
General	174,892	142,614	182,125	156,224	(25,901)	-14.2%
Federal	749,085	771,352	725,926	648,224	(77,702)	-10.7%
Other Funds	229	433	500	500	0	0.0%
Total Supplies and Materials	<b>924,206</b>	<b>914,399</b>	<b>908,551</b>	<b>804,948</b>	<b>(103,603)</b>	<b>-11.4%</b>
<b>GRANTS AND SUBSIDIES</b>						
General	305,569	325,099	430,188	39,005	(391,183)	-90.9%
Federal	861,302	1,070,917	1,100,000	1,100,000	0	0.0%
Other Funds	0	0	0	0	0	0.0%
Total Grants and Subsidies	<b>1,166,871</b>	<b>1,396,016</b>	<b>1,530,188</b>	<b>1,139,005</b>	<b>(391,183)</b>	<b>-25.6%</b>
<b>CAPITAL OUTLAY</b>						
General	107,827	36,039	268,720	288,720	20,000	7.4%
Federal	4,056,085	424,601	1,702,207	1,786,207	84,000	4.9%
Other Funds	0	0	2,500	2,500	0	0.0%
Total Capital Outlay	<b>4,163,912</b>	<b>460,640</b>	<b>1,973,427</b>	<b>2,077,427</b>	<b>104,000</b>	<b>5.3%</b>
<b>OTHER</b>						
General	0	0	0	0	0	0.0%
Federal	0	0	0	0	0	0.0%
Other Funds	0	0	0	0	0	0.0%
Total Other	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.0%</b>
<b>TOTAL</b>						
General	<b>3,332,868</b>	<b>3,695,758</b>	<b>4,103,257</b>	<b>3,968,786</b>	<b>(134,471)</b>	<b>-3.3%</b>
Federal	<b>18,040,477</b>	<b>17,000,949</b>	<b>19,479,212</b>	<b>20,572,860</b>	<b>1,093,648</b>	<b>5.6%</b>
Other Funds	<b>3,891</b>	<b>433</b>	<b>28,877</b>	<b>28,877</b>	<b>0</b>	<b>0.0%</b>
Total All Funds	<b>21,377,236</b>	<b>20,697,140</b>	<b>23,611,346</b>	<b>24,570,523</b>	<b>959,177</b>	<b>4.1%</b>

## Major Expansions and Reductions

Budget Item	Governor's Recommendation				FTE
	General Funds	Federal Funds	Other Funds	Total Funds	
<b>Adjutant General</b>					
Tuition Assistance Enhancement Program	(391,183)			(391,183)	
<b>Army Guard</b>					
M&R National Guard Armories	265,688	1,062,752		1,328,440	
Utility costs	(12,405)	(20,167)		(32,572)	
<b>Air Guard</b>					
Building Mtnce FTE increase		40,774		40,774	1.0
Utility costs	3,429	10,289		13,718	
Total	(134,471)	1,093,648	-	959,177	1.0

- ✓ See Budget Notes regarding these Expansions and Reductions on the following pages under the various programs.

## ADJUTANT GENERAL

The Adjutant General's Office administers the department's statutory and administrative responsibilities; coordinates and supervises the functions of planning, fiscal duties, budgeting, legislation, and personnel matters for the department; and ascertains the most efficient use of department personnel and resources.

	Actual FY2014	Actual FY2015	Budgeted FY2016	Agency Request FY2017	Gov Rec FY2017	Gov Rec Inc/Dec FY2017	% Change From FY2016
<b>Personal Services</b>							
Employee Salaries	352,699	326,913	342,704	342,704	342,704	0	0.0%
Employee Benefits	101,935	86,905	93,264	93,264	93,264	0	0.0%
<b>FTE</b>	5.6	4.8	5.3	5.3	5.3	0.0	0.0%
<b>Funding Types</b>							
General	454,634	413,818	417,112	417,112	417,112	0	0.0%
Federal	0	0	0	0	0	0	0.0%
Other	0	0	18,856	18,856	18,856	0	0.0%
<b>Total PS</b>	454,634	413,818	435,968	435,968	435,968	0	0.0%
<b>Operating Expenses</b>							
Travel	27,620	29,872	30,790	30,790	30,790	0	0.0%
Contractual Services	111,192	78,918	105,828	105,828	105,828	0	0.0%
Supplies & Materials	8,465	14,520	8,683	8,683	8,683	0	0.0%
Grants And Subsidies	266,616	279,922	391,183	391,183	0	(391,183)	(100.0%)
Capital Outlay	21,846	27,556	7,020	7,020	7,020	0	0.0%
<b>Funding Types</b>							
General	431,847	430,355	523,177	523,177	131,994	(391,183)	(74.8%)
Federal	0	0	10,306	10,306	10,306	0	0.0%
Other	3,891	433	10,021	10,021	10,021	0	0.0%
<b>Total OE</b>	435,738	430,788	543,504	543,504	152,321	(391,183)	(72.0%)
<b>Totals</b>							
<b>Funding Types</b>							
General	886,481	844,173	940,289	940,289	549,106	(391,183)	(41.6%)
Federal	0	0	10,306	10,306	10,306	0	0.0%
Other	3,891	433	28,877	28,877	28,877	0	0.0%
<b>Total</b>	890,372	844,606	979,472	979,472	588,289	(391,183)	(39.9%)

### Budget Notes

The Governor recommended a decrease of **(\$391,183)** for the Tuition Assistance Enhancement Program, as the budgeted amounts will be moved to the Board of Regents and Technical Institute's budgets. Currently, participants who are members of the Army or Air National Guard in South Dakota receive a 50% reduction in their tuition at state-run universities, self-support institutions and technical schools as per SDCL 33-6-5 through SDCL 33-6-8.1.

**The Governor proposed the following during his Budget Address:**

National Guard Tuition Change
<input type="checkbox"/> Abolish University Support Fee
<input type="checkbox"/> Raise regular tuition rate by same amount
<input type="checkbox"/> Leverages additional federal tuition reimbursement
<input type="checkbox"/> Savings of \$141 per course for Guard members
<input type="checkbox"/> \$315K annual impact to Board of Regents
<input type="checkbox"/> Regents and Technical Institutes directly manage

## ARMY GUARD

The Army Guard administers the state functions and duties of the Army National Guard. The Army Guard's mission is to provide ready units and personnel to the state of South Dakota and the United States of America; to support United States Military objectives through its participation in the Total Force Protection Plan; to support the Governor by providing trained units and equipment capable of protecting life and property, as well as the preservation of peace, order, and public safety; and to be an active participant in domestic concerns through local, regional, and nationwide initiatives and programs.

	Actual FY2014	Actual FY2015	Budgeted FY2016	Agency Request FY2017	Gov Rec FY2017	Gov Rec Inc/Dec FY2017	% Change From FY2016
<b>Personal Services</b>							
Employee Salaries	1,827,356	2,030,648	2,104,935	2,104,935	2,104,935	0	0.0%
Employee Benefits	694,914	708,292	762,950	762,950	762,950	0	0.0%
<b>FTE</b>	49.9	51.1	52.1	52.1	52.1	0.0	0.0%
<b>Funding Types</b>							
General	322,944	370,789	400,556	400,556	400,556	0	0.0%
Federal	2,199,325	2,368,152	2,467,329	2,467,329	2,467,329	0	0.0%
Other	0	0	0	0	0	0	0.0%
<b>Total PS</b>	2,522,270	2,738,940	2,867,885	2,867,885	2,867,885	0	0.0%
<b>Operating Expenses</b>							
Travel	43,263	28,117	40,000	40,000	40,000	0	0.0%
Contractual Services	7,641,243	10,322,269	11,124,370	12,142,443	12,419,841	1,295,471	11.6%
Supplies & Materials	772,076	760,174	829,430	725,827	725,827	(103,603)	(12.5%)
Capital Outlay	4,142,066	432,816	1,966,407	2,070,407	2,070,407	104,000	5.3%
<b>Funding Types</b>							
General	1,705,693	2,076,537	2,331,172	2,528,975	2,584,455	253,283	10.9%
Federal	10,892,956	9,466,840	11,629,035	12,449,702	12,671,620	1,042,585	9.0%
Other	0	0	0	0	0	0	0.0%
<b>Total OE</b>	12,598,649	11,543,376	13,960,207	14,978,677	15,256,075	1,295,868	9.3%
<b>Totals</b>							
<b>Funding Types</b>							
General	2,028,638	2,447,325	2,731,728	2,929,531	2,985,011	253,283	9.3%
Federal	13,092,281	11,834,991	14,096,364	14,917,031	15,138,949	1,042,585	7.4%
Other	0	0	0	0	0	0	0.0%
<b>Total</b>	15,120,919	14,282,317	16,828,092	17,846,562	18,123,960	1,295,868	7.7%

### Budget Notes

A. M&R on National Guard Armories – The Governor is recommending increases of **\$265,688 in general funds and \$1,062,752 in federal fund authority** for statewide maintenance and repair (M&R) on South Dakota National Guard armories. This represents a 20/80 split of the \$1,328,440. This is the fourth year of a four year plan to reach an M&R budget which is 2% of the replacement value of the buildings. The calculation for the budget increase is (Replacement Values of buildings X 2.9% inflation for construction costs x 2% replacement value less current M&R budget = increase). The replacement value of the buildings is \$492 million.

$\$478,274,007.05 \times 2.9\% = \$492,143,953.26 \times 2\% \text{ base} = \$9,842,879 \text{ minus } \$8,514,438 \text{ (current base)} = \$1,328,441$ . 20% of this amount is the \$265,688 general funds and the 80% portion is \$1,062,752.85 in federal fund authority.

**B. Utility Costs –** There was an increase in electrical costs – this was an increase of **\$14,206 in general funds** and **\$56,825 in federal fund expenditure authority**.

**C. Energy Cap –** There was a decrease in natural gas and propane costs per the Energy Cap. **(\$26,611)** in general funds and **(\$76,992)** in federal fund expenditure authority.

## AIR GUARD

This is the Department's program for administering the state duties and responsibilities of the South Dakota Air National Guard. The mission of the Air Guard is to defend the United States through the control and exploitation of air and space; to train, mobilize, and deploy anywhere in the world in a matter of hours; to fly fighter sorties in support of the theater commander's objectives; to respond to the call of the Governor during times of natural disaster or civil disturbance; to protect life and property and preserve peace, order, and public safety; and to add value to America by our presence in the community.

	Actual FY2014	Actual FY2015	Budgeted FY2016	Agency Request FY2017	Gov Rec FY2017	Gov Rec Inc/Dec FY2017	% Change From FY2016
<b>Personal Services</b>							
Employee Salaries	1,965,416	2,059,097	2,200,044	2,240,657	2,230,504	30,460	1.4%
Employee Benefits	706,795	702,021	689,671	703,423	699,985	10,314	1.5%
<b>FTE</b>	45.3	45.8	47.0	48.0	48.0	1.0	2.1%
<b>Funding Types</b>							
General	177,645	183,187	196,287	209,878	196,287	0	0.0%
Federal	2,494,565	2,577,931	2,693,428	2,734,202	2,734,202	40,774	1.5%
Other	0	0	0	0	0	0	0.0%
<b>Total PS</b>	2,672,210	2,761,118	2,889,715	2,944,080	2,930,489	40,774	1.4%
<b>Operating Expenses</b>							
Travel	10,205	17,291	38,430	38,430	38,430	0	0.0%
Contractual Services	1,639,610	1,535,742	1,666,194	1,679,912	1,679,912	13,718	0.8%
Supplies & Materials	143,665	139,705	70,438	70,438	70,438	0	0.0%
Grants And Subsidies	900,255	1,116,094	1,139,005	1,139,005	1,139,005	0	0.0%
Capital Outlay	0	268	0	0	0	0	0.0%
<b>Funding Types</b>							
General	240,104	221,073	234,953	238,382	238,382	3,429	1.5%
Federal	2,453,631	2,588,026	2,679,114	2,689,403	2,689,403	10,289	0.4%
Other	0	0	0	0	0	0	0.0%
<b>Total OE</b>	2,693,734	2,809,099	2,914,067	2,927,785	2,927,785	13,718	0.5%
<b>Totals</b>							
<b>Funding Types</b>							
General	417,749	404,260	431,240	448,260	434,669	3,429	0.8%
Federal	4,948,196	5,165,957	5,372,542	5,423,605	5,423,605	51,063	1.0%
Other	0	0	0	0	0	0	0.0%
<b>Total</b>	5,365,945	5,570,217	5,803,782	5,871,865	5,858,274	54,492	0.9%

## Budget Notes

**FTE Increase –** The Governor recommended an additional FTE to increase the building maintenance flight from the current 6 FTE to 7 FTE. This position is a 75% federal pay and 25% state match position.

Within Appendix 21, National Guard Bureau authorizes FTE's by size of sq. footage authorized by base. Currently the base is authorized 9 maintenance flight positions by National Guard Bureau. For FY16, they have 6 FTE authorized by the state. This

additional FTE would be hired July 1, 2016 if the expansion is approved. The recommended increase is **\$40,774 in federal fund expenditure authority and 1.0 FTE**. The agency will utilize existing general funds for the 25% state match.

**Energy Cap Increase** – The increases of **\$3,429 in general funds**, and **\$10,289 in federal funds** is due to the Energy Cap (electricity, natural gas).

### **FY16 Emergency Special Appropriation**

The Governor is recommending \$100,000 in general funds for the commissioning of the USS South Dakota-SSN 790, to educate the people of South Dakota about the nuclear-powered submarine, and sponsor visits of the submarine’s crew to South Dakota.

### **Other Fund Balances**

Company and Fund Name	Blue Book Page	Ending Cash and Investment Balance		60-Month Average Cash Balance	Lowest Monthly Cash Balance in Past Five Years	
		June 30			Amount	Month
		FY2014	FY2015			
Company 3147 - National Guard Museum and State Weapons Collection Fund	229	148,491	165,667	152,720	144,703	August 2010
Company 3148 - General Militia Fund and Special Militia Fund	230	405,378	393,255	325,158	245,975	December 2010
Company 3149 - Veterans' Freedom Memorial Fund	231	0	0	5,820	0	May 2014

### **Interagency Billings**

Below are the sources of funds Military used to pay for services provided by central governmental bureaus (Bureau of Finance and Management, Bureau of Information and Telecommunications, Bureau of Administration, and the Bureau of Human Resources).

Bureau Name	General	Federal	Other	Total
Bureau of Finance and Management	\$1,274	\$52,860	\$2,736	\$56,870
Bureau of Administration	\$58,817	\$102,908	\$387	\$162,112
Bureau of Information and Telecommunication	\$22,290	\$38,381	\$259	\$60,930
Bureau of Human Resources	\$8,905	\$40,326	\$1,364	\$50,595
<b>Total FY15 Interagency Payments</b>	<b>\$91,285</b>	<b>\$234,475</b>	<b>\$4,746</b>	<b>\$330,506</b>

## Governor's Recommended Compensation Plan and Billings Pool

(page 01-24 of the Governor's FY17 Budget Book)

For FY17, the Governor recommended the funding for the state employee compensation plan and bureau billings be placed in a pool in BFM to be distributed to each agency. *Therefore, individual agency personal services and contractual services budgets do not reflect budget increases for the compensation plan, bureau billings, or the decrease for health insurance.*

- Below are the estimated distributions for employee compensation for FY17. BFM will distribute dollars from the Pool after calculating the increase for salary policy and the decrease for employee health insurance. The distributed amount to the agency will be in addition to the agency's appropriated personal services budget.

FY17 Salary Policy Component	Object	General	Federal	Other	Total
Health Insurance	PS	(\$4,607)	(\$23,633)	(\$86)	(\$28,326)
Market Adjustment	PS	\$23,668	\$118,457	\$0	\$142,125
Movement Towards Market Value	PS	\$16,492	\$85,513	\$3,102	\$105,107
Health Insurance	OE	(\$155)	(\$354)	(\$11)	(\$520)
Market Adjustment	OE	\$526	\$1,356	\$52	\$1,934
Movement Towards Market Value	OE	\$412	\$1,267	\$55	\$1,734
<b>Total</b>		<b>\$36,336</b>	<b>\$182,606</b>	<b>\$3,113</b>	<b>\$222,055</b>

- Recommended FY17 - 2.7% market adjustment for all permanent employees (except Career Bands); 0%-2.7% market adjustments for Career Bands; 2.5% movement toward market value for General Pay Structure and PACE; 0% to 4.5% pay for performance for Career Bands; decrease of \$275 per benefitted employee for the employer-paid portion of the health insurance plan.
  - Recommended FY16 – 2% market adjustment for all permanent employees (except Career Bands); 0%-6.6% market adjustments for Career Bands; 2.5% movement toward market value for General Pay Structure and PACE; 0% to 4.5% pay for performance for Career Bands; 0% health insurance.
  - FY15 – 3% across-the-board/market adjustment for all permanent employees (including Career Bands); 3% adjustment toward job worth for PACE; 0%-4.5% pay for performance for Career Bands; targeted compensation adjustments for a small number of hard-to-fill, below market vocational jobs; 18.6% health insurance.
  - FY14 – 3% across-the-board for all permanent employees (except Career Bands); 3.5% to 4% market adjustment for Career Bands; 3.5% adjustment toward job worth for PACE; 0%-4.5% pay for performance for Career Bands; 14.7% health insurance.
- Below are the estimated increases to the bureau billings for FY17. The amount distributed from the BFM pool to the agency will be in addition to the agency's appropriated contractual services budget.

Estimated FY17	General	Federal	Other	Total
Bureau Billing Adjustments	182	431	22	635