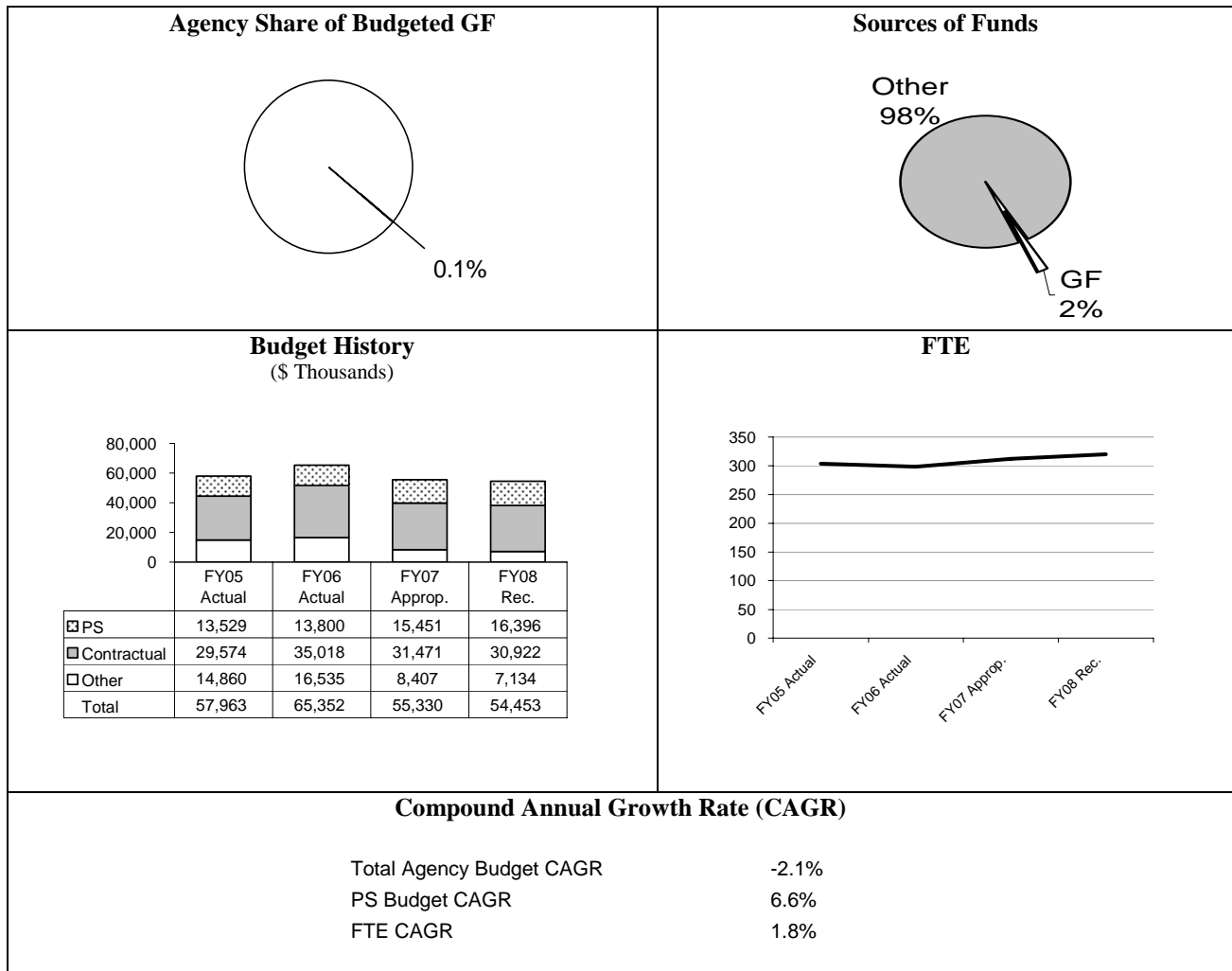


FY08 Budget Briefing

Department of Revenue and Regulation



Key Responsibilities

- To provide the revenue necessary for the support of state and local government programs through the fair and consistent application of the tax laws and through a comprehensive program of education that explains the responsibilities and rights of taxpayers;
- To operate the state lottery in a secure, efficient, and profitable manner;
- To provide for the safety and well-being of consumers and the general public by regulating the banking, securities, insurance, gaming, and racing industries; and
- To protect the interest of the public when engaged in a real estate transaction; to promote ethical standards for abstractors; and to assist in cleanup of petroleum spills.

Key Personnel

Paul Kinsman, Secretary

Joan Serfling, Finance Officer

Aaron Olson
Legislative Research Council

Department of Revenue and Regulation

January 3, 2007

Department of Revenue and Regulation Total

For FY08, the Governor recommends a decrease of \$876,588 from all funds and an increase of 8.0 FTEs from FY07. The FY08 recommended budget consists of \$1,107,244 from general funds and \$53,346,022 in other fund expenditure authority, for a total budget of \$54,453,266 and 320.1 FTEs.

	Actual FY06	Budgeted FY07	Agency Req. FY08	Gov Rec. FY08	Inc/Dec FY08	% Change From FY07
Personal Services	13,799,968	15,451,429	15,601,375	16,396,495	945,066	6.1%
Travel	896,857	1,080,353	1,090,913	1,120,413	40,060	3.7%
Contractual Services	35,017,500	31,471,317	30,859,607	30,922,353	(548,964)	(1.7%)
Supplies & Materials	4,995,969	2,901,271	2,901,521	2,901,521	250	0.0%
Grants And Subsidies	9,684,861	3,500,000	2,000,000	2,000,000	(1,500,000)	(42.9%)
Capital Outlay	773,169	707,484	879,984	894,484	187,000	26.4%
Other	183,866	218,000	218,000	218,000	-	0.0%
Total	65,352,190	55,329,854	53,551,400	54,453,266	(876,588)	(1.6%)
Funding Types						
General	894,666	1,021,480	1,021,480	1,107,244	85,764	8.4%
Federal	52,990	-	-	-	-	0.0%
Other	64,404,534	54,308,374	52,529,920	53,346,022	(962,352)	(1.8%)
Total	65,352,190	55,329,854	53,551,400	54,453,266	(876,588)	(1.6%)
FTE	298.1	312.1	315.1	320.1	8.0	2.6%

The Governor's recommendation throughout this analysis also includes funding for Performance And Compensation Equity (PACE) movement of 2.5% for those employees who are paid under the job-worth of their pay range, a 3% across-the-board increase for all permanent employees, and an increase in the employer paid portion of the state health insurance plan. The recommended amounts for each segment of the compensation package are as follows:

	General Funds	Federal Funds	Other Funds	Total
2.5% PACE Movement	5,598	-	100,460	106,058
3% Across-the-Board	22,393	-	401,520	423,913
Health Insurance	3,311	-	63,364	66,675
Total	31,302	-	565,344	596,646

Major Expansions and Reductions

Program	Agency Request			Governor's Recommendation		
	State General Fund	All Funds	FTE	State General Fund	All Funds	FTE
Secretariat						
Personal Services	-	-	0.0	-	(57,328)	-1.0
Contractual Services	-	-	0.0		28,796	0.0
Business Tax	-	47,757	1.0	-	47,757	1.0
Motor Vehicles						
Personal Services	-	32,861	1.0	-	32,861	1.0
Operating Expenses	-	(577,500)	0.0	-	(577,500)	0.0
Property & Special Taxes	-	-	0.0	57,328	57,328	1.0
Audits						
Personal Services	-	-	0.0	-	198,474	5.0
Operating Expenses	-	-	0.0	-	50,950	0.0
Banking						
Personal Services	-	67,940	1.0	-	67,940	1.0
Operating Expenses	-	147,750	0.0	-	174,750	0.0
Petroleum Release Compensation- Info	-	(1,500,000)	0.0	-	(1,500,000)	0.0
Governor's Salary Policy	-	-	0.0	31,302	596,646	0.0
Total	0	(1,781,192)	3.0	88,630	(879,326)	8.0

Secretariat:

- Personal Services- The agency requests no budget change for FY08. The Governor recommends a decrease of \$57,328 and 1.0 FTE to transfer an Attorney position to the Property and Special Taxes Division. One of the Attorney positions currently located in the Secretariat is shifting work focus to the bank franchise tax area and several of the other special taxes collected by the agency. By concentrating on special taxes, the funding for this position should be general funds. Transferring the position to the Property and Special Taxes Division reflects the proper funding of expenses associated with this position.
- Contractual Services- The agency requests no budget change for FY08. The Governor recommends an increase of \$28,796 to account for a recalculation in the method of recovering maintenance and repair funding for the Capitol Complex.

Business Tax:

- Personal Services- The agency requests an increase of \$47,757 in other fund expenditure authority and 1.0 FTE for FY08. The additional FTE will be classified as a Revenue Supervisor and will provide a second on-site manager in the Pierre office. Having an additional manager will allow the Business Tax Division to separate the current responsibilities in the Pierre office into two separate sections, compliance and customer service. The compliance section will include tax discovery, compliance, tax refund program, and tribal relations. The agents staffing the 1-800 customer service number, agents providing taxpayer services to the counties in central South Dakota, and the department's front desk support staff, will be included in the customer service section. Activity in all of these functions has continued to increase and some functions have expanded requiring the development of two sections and the need for one additional manager. The Governor recommends this request.

Motor Vehicles:

- Personal Services- The agency requests an increase of \$32,861 in other fund expenditure authority and 1.0 FTE in the Fuel Taxation Program. The additional FTE will be classified as a Commercial Carrier Clerk and handle the functions that were transferred to the department for the Single State Registration System (SSRS) and Unified Carrier Registration (UCR) from the Public Utilities Commission (PUC) on July 1, 2006. The Division of Motor Vehicles- Motor Fuel is now responsible for all registrations and the collection of all fees through these programs. Over 1,400 registrations are completed and 1,400 exemption status forms are filed on annual basis. The new UCR program which will begin in 2007 requires all private carriers, leasing carriers, rental carriers, brokers, and freight forwarders, to register. This expansion will at least double the workload compared to the SSRS system that was administered by PUC. The Governor recommends this request.
- Contractual Services- The agency requests a decrease of \$750,000 in other fund expenditure authority in computer services- state (\$250,000) and computer services- private (\$500,000) for the new titles and registration system. The anticipated implementation date is January 1, 2008. The purchase and installation of the system modules from an outside vendor will be completed during FY07. The Governor recommends this request.
- Capital Outlay- The agency requests an increase of \$172,500 in other fund expenditure authority for computer hardware. The new computer system will support the imaging of titles and have the capability for counties to use handheld scanners to expedite the renewal process at the county level. The estimate for two scanning stations and software to be located at Records Management is \$90,000. This will allow titles to be scanned for easy on-line retrieval and microfilmed for archival purposes. The handheld scanners to be used by the counties are \$500 per device with 165 handheld devices being placed in 66 counties. The Governor recommends this request.

Property and Special Taxes:

- Personal Services- The agency requests no change to the Property and Special Taxes budget for FY08. The Governor recommends an increase of \$57,328 from general funds and 1.0 FTE to transfer an Attorney position from the Secretariat. One of the Attorney positions currently located in the Secretariat is shifting work focus to the bank franchise tax area and several of the other special taxes collected by the agency. By concentrating on special taxes, the funding for this position should be general funds. Transferring the position to the Property and Special Taxes Division reflects the proper funding of expenses associated with this position.

Audits:

- Personal Services- The agency requests no change in the Audit Division budget for FY08. The Governor recommends an increase of \$198,474 in other fund expenditure authority and 5.0 FTEs. At the request of the Governor's office, the department analyzed audit inventory, audit needs and the audit time available based on existing audit staff. It became apparent the potential audit candidate inventory would continue to grow based on the existing number of auditors. In the past 15 years the number of licensees has increase by 25%+ and without adding any additional auditors. Auditors are revenue producers, but more importantly they promote the fair and consistent application of the state's tax laws which levels the playing field for business competitors in and out of state. Out-of-state audits will be the focus of the additional staff.

- The agency requests no change in operating expenses in the Audit Division budget for FY08. The Governor recommends an increase of \$29,500 for travel, \$6,950 for contractual services, and \$14,500 for capital outlay due the recommended increase of 5 additional auditors in the Audit Division.

Banking:

- Personal Services- The agency requests an increase of \$67,940 (\$55,000 salary, \$12,940 benefits) in other fund expenditure authority and 1.0 FTE for an Attorney/Examiner. This FTE will help oversee the rapidly growing state-chartered trust companies. The first trust company was chartered under 51A-6A in 1995. The division now oversees 20 trust companies with over \$30 Billion in total assets. One bank examiner now devotes part of his time to examination and supervision of trust companies. The division anticipates that the number and assets of trust companies will continue at a high rate of growth. The Governor recommends this request.
- Travel- The agency requests an increase of \$10,060 in other fund expenditure authority for travel expenses of the recommended attorney/examiner position. The Governor recommends this request.
- Contractual Services- The agency requests an increase of \$137,690 in other fund expenditure authority for cost of an outside consultant for database development, conversion of current systems, and staff training (\$135,000). The amount requested for FY08 is the amount of Ameriquest Settlement money available and the estimated cost for this project is \$350,000 over two years. The remainder of the increase is for the registration fee for the Cannon Trust School (\$2,500) and the insurance premiums and surety bonds (\$190) for the recommended attorney/examiner position. The Governor recommends an increase of \$164,690 which includes authority to support the division's accreditation by the Conference of State Bank Supervisors (CSBS). CSBS sponsors a comprehensive state banking performance accreditation program to enhance the professionalism of state banking departments and their personnel. The costs associated with this accreditation are for the initial accreditation, on-site review, and annual accreditation renewal.

Petroleum Release Compensation Fund- Informational:

- Grants and Subsidies- The agency requests a decrease of \$1,500,000 in other fund expenditure authority to reflect the actual expenditures of this program. The Governor recommends this request.

Secretariat

The total recommended budget for the Secretariat consists of \$161,001 from general funds, and \$3,543,993 in other fund expenditure authority, for a total budget of \$3,704,994 and 39.0 FTEs.

	Actual FY06	Budgeted FY07	Agency Req. FY08	Gov Rec. FY08	Inc/Dec FY08	% Change From FY07
Personal Services	1,993,448	2,176,734	2,176,734	2,198,977	22,243	1.0%
Travel	69,386	80,174	80,174	80,174	-	0.0%
Contractual Services	1,794,690	1,309,412	1,309,412	1,338,208	28,796	2.2%
Supplies & Materials	63,033	68,388	68,388	68,388	-	0.0%
Grants And Subsidies	-	-	-	-	-	0.0%
Capital Outlay	39,515	19,247	19,247	19,247	-	0.0%
Other	-	-	-	-	-	0.0%
Total	3,960,072	3,653,955	3,653,955	3,704,994	51,039	1.4%
Funding Types						
General	154,208	159,983	159,983	161,001	1,018	0.6%
Federal	-	-	-	-	-	0.0%
Other	3,805,864	3,493,972	3,493,972	3,543,993	50,021	1.4%
Total	3,960,072	3,653,955	3,653,955	3,704,994	51,039	1.4%
FTE	39.8	40.0	40.0	39.0	(1.0)	(2.5%)

Revenues

	FY06	FY07			FY08
	Actual	Original Estimate	Current Estimate	Change in Estimate	Estimate
Internet and Phone Filing Collections	434,715,213	460,000,000	512,000,000	52,000,000	585,000,000
Remittance Center Collections:					
Department Collections	803,501,475	790,000,000	803,000,000	13,000,000	803,000,000
Other State Agency Collections	109,982,180	115,000,000	106,000,000	(9,000,000)	103,000,000
Appraiser Certification:					
New Application Fees	12,365	10,690	12,365	1,675	12,365
Renewal Fees	78,605	76,845	78,605	1,760	78,605
Investment Council Interest	4,589	3,518	4,589	1,071	4,589
Reciprocity Fees	5,875	6,200	5,875	(325)	5,875
Temporary Fees	9,900	6,750	9,900	3,150	9,900
Upgrade Review Fees	2,300	1,000	2,300	1,300	2,300
Penalty/Discipline Fees	3,100	3,000	3,100	100	3,100
Course Fees	7,900	4,550	7,900	3,350	7,900
Penalty/Renewals	1,175	475	1,175	700	1,175
Total	1,348,324,677	1,365,113,028	1,421,125,809	56,012,781	1,491,125,809

- **Personal Services-** The agency requests no budget change for FY08. The Governor recommends a decrease of \$57,328 and 1.0 FTE to transfer an Attorney position to the Property and Special Taxes Division. One of the Attorney positions currently located in the Secretariat is shifting work focus to the bank franchise tax area and several of the other special taxes collected by the agency. By concentrating on special taxes, the funding for this position should be general funds. Transferring the position to the Property and Special Taxes Division reflects the proper funding of expenses associated with this position. The Governor's recommended appropriation includes an increase of \$79,571 for FY08 salary policy which results in a net increase of \$22,243 (\$1,018 general, \$21,225 other) for FY08.
- **Contractual Services-** The agency requests no budget change for FY08. The Governor recommends an increase of \$28,796 to account for a recalculation in the method of recovering maintenance and repair funding for the Capitol Complex.

Selected Performance Indicators

	<u>FY06</u>	<u>FY07</u>			<u>FY08</u>
	Actual	Original Estimate	Current Estimate	Change in Estimate	Estimate
Collections:					
Centralized Collections	\$7,536,146	\$5,400,000	\$8,000,000	\$2,600,000	\$8,000,000
Legal Staff:					
Department Cases Opened	352	280	355	75	355
ISB Investigations	55	55	55	0	55
Remittance Center:					
Department Documents Processed	482,681	490,000	475,000	(15,000)	465,000
Other Dept. Documents Processed	51,772	52,500	50,500	(2,000)	50,000
E-Newsletters	58,291	55,000	60,000	5,000	62,000
Business Education (Held/Attended):					
Small Business Workshops	11/299	12/370	10/250	n/a	10/250
Contractors' Excise Tax Seminars	10/110	10/100	10/120	n/a	10/120
Sales Tax Seminars	10/203	10/130	10/215	n/a	10/215
Tri-State Contractors Excise Tax Seminars	5/116	3/80	4/100	n/a	4/100
Tri-State Sales Tax Seminars	5/180	3/120	4/165	n/a	4/165
Border States Contractors' Excise Tax Seminar	6/106	9/90	6/115	n/a	6/115
Border States Sales Tax Seminars	6/189	9/125	6/195	n/a	6/195
Special Interest Group Presentations	46/1,327	35/600	35/700	n/a	35/700
Appraisers--New/Renewed Licenses	33/361	30/360	33/361	n/a	33/361
Complaints Received (Appraisers)	17	10	17	7	17
Upgrade/New Application Reviews	19/0	10/1	19/0	n/a	19/0
Reciprocity/Temporary	8/66	17/45	8/66	n/a	8/66
Course Applications	158	91	158	67	158

Business Tax

The total recommended budget for the Business Tax Division consists of \$3,501,656 in other fund expenditure authority and 51.0 FTEs.

	Actual FY06	Budgeted FY07	Agency Req. FY08	Gov Rec. FY08	Inc/Dec FY08	% Change From FY07
Personal Services	2,175,307	2,303,233	2,350,990	2,439,986	136,753	5.9%
Travel	115,065	114,764	114,764	114,764	-	0.0%
Contractual Services	459,215	506,388	506,388	506,388	-	0.0%
Supplies & Materials	413,500	419,264	419,264	419,264	-	0.0%
Grants And Subsidies	-	-	-	-	-	0.0%
Capital Outlay	32,126	21,254	21,254	21,254	-	0.0%
Other	-	-	-	-	-	0.0%
Total	3,195,213	3,364,903	3,412,660	3,501,656	136,753	4.1%
Funding Types						
General	-	-	-	-	-	0.0%
Federal	-	-	-	-	-	0.0%
Other	3,195,213	3,364,903	3,412,660	3,501,656	136,753	4.1%
Total	3,195,213	3,364,903	3,412,660	3,501,656	136,753	4.1%
FTE	48.5	50.0	51.0	51.0	1.0	2.0%

Revenues

	FY06	FY07		Change in Estimate	FY08
	Actual	Original Estimate	Current Estimate		Estimate
Other Agency Collections	6,721,661	6,200,000	7,000,000	800,000	7,250,000
Collections:					
State Sales Tax	585,038,828	582,000,000	608,000,000	26,000,000	630,000,000
Excise Tax	75,103,983	65,500,000	75,500,000	10,000,000	76,000,000
Telecom Excise Tax	8,794,716	8,200,000	8,850,000	650,000	8,875,000
City/Reservation Taxes	246,800,157	230,000,000	256,600,000	26,600,000	266,900,000
Total	922,459,345	891,900,000	955,950,000	64,050,000	989,025,000

- **Personal Services-** The agency requests an increase of \$47,757 in other fund expenditure authority and 1.0 FTE for FY08. The additional FTE will be classified as a Revenue Supervisor and will provide a second on-site manager in the Pierre office. Having an additional manager will allow the Business Tax Division to separate the current responsibilities in the Pierre office into two separate sections, compliance and customer service. The compliance section will include tax discovery, compliance, tax refund program, and tribal relations. The agents staffing the 1-800 customer service number, agents providing taxpayer services to the counties in central South Dakota, and the department's front desk support staff, will be included in the customer service section. Activity in all of these functions has continued to increase and some functions have expanded requiring the development of two sections and the need for one additional manager. The Governor recommends this request. The Governor's recommended appropriation includes an increase of \$88,996 in other fund expenditure authority for FY08 salary policy.

Selected Performance Indicators

	<u>FY06</u>	<u>FY07</u>		<u>FY08</u>
	Actual	Original Estimate	Current Estimate	Change in Estimate
Cities/Tribes with Sales/Use Tax	218	220	222	2
Total Active Licenses	70,685	71,000	72,100	1100
Delinquent/Out-of-Balance Notices	141,290	125,000	135,000	10000
Licensee Reviews *	1,126	600	1,125	525
Balance of Active Accounts Receivable (July 1)	\$2,815,225	\$2,400,000	\$2,500,000	100000
Total Returns Processed	430,508	428,000	430,000	2000
Internet and Phone Returns	60,680	62,000	75,850	13850
Returns Out of Balance	115,625	102,000	112,000	10000
800 Phone Bank Calls	41,940	40,000	43,400	3400

* Licensee reviews are an information interview with sales and contractor's excise licensees where the Tax Program representative explains how the applicable tax applies to that specific type of business. These reviews are not a detailed audit conducted on a business, but rather are targeted at 90% of the businesses that would not normally receive specific attention because of a delinquency, or an audit.

- All of the other funds that support this program are from the Sales and Use Tax Collection Fund, created in SDCL 10-1-44:

10-1-44. Establishment of sales and use tax collection fund. There shall be established within the state treasury the sales and use tax collection fund for the purpose of administering the sales, use, municipal non-ad valorem, and contractors' excise taxes. Charges for the administration and collection of taxes collected pursuant to chapter 10-52 shall be deposited into the sales and use tax collection fund. In addition, the secretary of the Department of Revenue and Regulation shall, on a monthly basis, deposit revenue collected as a result of taxes imposed in chapters 10-45, 10-46, and 10-58 in the sales and use tax collection fund. The total amount deposited in the sales and use tax collection fund may not exceed the amount budgeted for such purposes. All money in the fund created by this section shall be budgeted and expended in accordance with the provisions of Title 4 on warrants drawn by the state auditor on vouchers approved by the secretary of the Department of Revenue and Regulation.

At the end of each fiscal year any cash balance left in the sales and use tax collection fund shall be transferred to the general fund.

Source: SL 1994, ch 95, § 1; SL 2003, ch 272, § 82.

Motor Vehicles

The Division administers all fuel taxes pursuant to SDCL 10-47B as well as licensing, titling, and registration of boats, trailers, and motorized vehicles pursuant to SDCL Title 32.

The total recommended budget for the Division of Motor Vehicles consists of \$5,916,926 in other fund expenditure authority and 48.1 FTEs.

	Actual FY06	Budgeted FY07	Agency Req. FY08	Gov Rec. FY08	Inc/Dec FY08	% Change From FY07
Personal Services	1,639,444	1,803,254	1,836,115	1,905,638	102,384	5.7%
Travel	44,405	61,862	61,862	61,862	-	0.0%
Contractual Services	2,180,027	3,062,879	2,312,879	2,312,879	(750,000)	(24.5%)
Supplies & Materials	3,339,698	1,120,028	1,120,028	1,120,028	-	0.0%
Grants And Subsidies	-	-	-	-	-	0.0%
Capital Outlay	341,487	344,019	516,519	516,519	172,500	50.1%
Other	-	-	-	-	-	0.0%
Total	7,545,061	6,392,042	5,847,403	5,916,926	(475,116)	(7.4%)
Funding Types						
General	-	-	-	-	-	0.0%
Federal	52,990	-	-	-	-	0.0%
Other	7,492,071	6,392,042	5,847,403	5,916,926	(475,116)	(7.4%)
Total	7,545,061	6,392,042	5,847,403	5,916,926	(475,116)	(7.4%)
FTE	45.5	47.1	48.1	48.1	1.0	2.1%

Revenues

	FY06	FY07		FY08
	Actual	Original Estimate	Current Estimate	Change in Estimate
Collections:				Estimate
Motor Vehicle Fees	87,627,908	89,000,000	88,000,000	(1,000,000)
Motor Vehicle Commercial Fees	12,919,553	12,850,000	13,000,000	150,000
Motor Fuel Taxes	141,048,510	142,000,000	141,650,000	(350,000)
Total	241,595,971	243,850,000	242,650,000	(1,200,000)

- Personal Services- The agency requests an increase of \$32,861 in other fund expenditure authority and 1.0 FTE in the Fuel Taxation Program. The additional FTE will be classified as a Commercial Carrier Clerk and handle the functions that were transferred to the department for the Single State Registration System (SSRS) and Unified Carrier Registration (UCR) from the Public Utilities Commission (PUC) on July 1, 2006. The Division of Motor Vehicles- Motor Fuel is now responsible for all registrations and the collection of all fees through these programs. Over 1,400 registrations are completed and 1,400 exemption status forms are filed on annual basis. The new UCR program which will begin in 2007 requires all private carriers, leasing carriers, rental carriers, brokers, and freight forwarders, to register. This expansion will at least double the workload compared to the SSRS system that was administered by PUC. The Governor recommends this request. The Governor's recommended appropriation includes an increase of \$69,523 for FY08 salary policy.

- **Contractual Services-** The agency requests a decrease of \$750,000 in other fund expenditure authority in computer services- state (\$250,000) and computer services- private (\$500,000) for the new titles and registration system. The anticipated implementation date is January 1, 2008. The purchase and installation of the system modules from an outside vendor will be completed during FY07. The Governor recommends this request.
- **Capital Outlay-** The agency requests an increase of \$172,500 in other fund expenditure authority for computer hardware. The new computer system will support the imaging of titles and have the capability for counties to use handheld scanners to expedite the renewal process at the county level. The estimate for two scanning stations and software to be located at Records Management is \$90,000. This will allow titles to be scanned for easy on-line retrieval and microfilmed for archival purposes. The handheld scanners to be used by the counties are \$500 per device with 165 handheld devices being placed in 66 counties. The Governor recommends this request.
- Other funds in this division are from motor vehicle titling and licensing fees and a percentage of the motor fuel tax revenue (SDCL 10-47B-149).

Selected Performance Indicators

	<u>FY06</u>	<u>FY07</u>		<u>FY08</u>
	Actual	Original Estimate	Current Estimate	Change in Estimate
Certificates of Title Issued/Processing (Days)	368,770/10	389,000/10	370,000/10	n/a
Personal/Dealer License Plates Renewed	12,287/3,245	15,000/4,000	12,300/3,250	n/a
Vehicles Registered	1,135,960	1,150,000	1,140,000	(10,000)
Licensed Vehicle Dealers	1,308	1,300	1,310	10
IFTA Licenses	2,831	2,800	2,830	30
Suppliers/Out-of-State Suppliers	52	53	52	(1)
Importer/Exporter/Blender	294	366	290	(76)
Highway Contractors/Marketers	519/1,339	525/1,200	519/1,340	n/a
Gas Tax Refunds Processed	5,391	5,800	5,300	(500)
Power Units Prorated Under IRP	9,217	9,000	9,250	250
Prorate Trailer ID Plates Issued	1,156	1,800	1,150	(650)
Commercial Tonnage Stickers Sold	39,217	38,000	39,250	1,250
30-Day Commercial Permits Sold	4,842	3,800	4,850	1,050
Harvest Permits Sold	1,329	1,200	1,320	120

Property and Special Taxes

The total recommended budget for the Property and Special Taxes Division consists of \$946,243 from general funds and 14.0 FTEs.

	Actual FY06	Budgeted FY07	Agency Req. FY08	Gov Rec. FY08	Inc/Dec FY08	% Change From FY07
Personal Services	581,770	668,005	668,005	752,751	84,746	12.7%
Travel	25,015	37,098	37,098	37,098	-	0.0%
Contractual Services	86,132	101,507	101,507	101,507	-	0.0%
Supplies & Materials	38,185	46,187	46,187	46,187	-	0.0%
Grants And Subsidies	-	-	-	-	-	0.0%
Capital Outlay	9,356	8,700	8,700	8,700	-	0.0%
Other	-	-	-	-	-	0.0%
Total	740,458	861,497	861,497	946,243	84,746	9.8%
Funding Types						
General	740,458	861,497	861,497	946,243	84,746	9.8%
Federal	-	-	-	-	-	0.0%
Other	-	-	-	-	-	0.0%
Total	740,458	861,497	861,497	946,243	84,746	9.8%
FTE	11.6	13.0	13.0	14.0	1.0	7.7%

Revenues

	FY06	FY07		FY08
	Actual	Original Estimate	Current Estimate	Change in Estimate
Collections:				Estimate
Special Taxes - State Funds	82,390,418	79,000,000	82,400,000	3,400,000
Special Taxes - Local Governments	26,812,114	17,500,000	18,500,000	1,000,000
Total	109,202,532	96,500,000	100,900,000	4,400,000

- **Personal Services**- The agency requests no change to the Property and Special Taxes budget for FY08. The Governor recommends an increase of \$57,328 from general funds and 1.0 FTE to transfer an Attorney position from the Secretariat. One of the Attorney positions currently located in the Secretariat is shifting work focus to the bank franchise tax area and several of the other special taxes collected by the agency. By concentrating on special taxes, the funding for this position should be general funds. Transferring the position to the Property and Special Taxes Division reflects the proper funding of expenses associated with this position. The Governor's recommended appropriation includes an increase of \$27,418 from general funds for FY08 salary policy.

Selected Performance Indicators

	<u>FY06</u>	<u>FY07</u>		<u>FY08</u>
	Actual	Original Estimate	Current Estimate	Change in Estimate
Alcohol Brands	9,738	9,800	9,800	0
Liquor and Beer Licenses	5,563	5,550	5,650	100
Cigarette Licenses/Stamps	61/49,466,462	65/49,100,000	60/49,500,000	n/a
Cigarette Meter Impressions	420,000	400,000	400,000	0
Bank Franchise Returns	785	500	795	295
Inheritance Tax Stipulations/Waivers	49/0	75/0	10/0	n/a
Estate/Estate Tax Returns	59	130	50	(80)
Laundromat Licenses/Units	2,406/13,079	2,330/12,500	2,400/13,000	n/a
Mineral and Severance Reports	61	65	70	5
Amusement Companies/Decals	178/8,097	170/8,000	175/8,000	n/a
Bank Franchise Qtr Reports Filed	743	650	750	100
Other Tobacco Products Reports Filed	816	840	825	(15)
Alcohol License Renewals Held for Tax Reasons	223	300	250	(50)
Alcohol License Transfers Held for Tax Reasons	129	100	130	30
Alcohol Related Phone Calls Received	4,223	4,200	4,200	0
Assessors Certified	196	180	190	10
Annual Assessors School	140	150	140	(10)
Self-Instruction Courses	90	100	100	0
Central Assessments (Property/Gross Rec)	135	127	135	8
Tax Refund Performance Indicators:				
Tax Refund Applications Received	3,514	3,300	3,250	(50)
Applications Refunded/Denied	3,251/263	3,000/300	2,900/350	n/a
Applicants for Both Programs	721	750	700	(50)
Receiving Property Tax	149	180	125	(55)
Sales and Property Tax Refund	\$659,520	\$600,000	\$606,000	6,000

Audits

The total recommended budget for the Audit Division consists of \$3,525,295 in other fund expenditure authority and 56.0 FTEs.

	Actual FY06	Budgeted FY07	Agency Req. FY08	Gov Rec. FY08	Inc/Dec FY08	% Change From FY07
Personal Services	2,425,304	2,639,503	2,639,503	2,945,118	305,615	11.6%
Travel	234,751	288,721	288,721	318,221	29,500	10.2%
Contractual Services	162,733	164,990	164,990	171,940	6,950	4.2%
Supplies & Materials	29,622	32,086	32,086	32,086	-	0.0%
Grants And Subsidies	-	-	-	-	-	0.0%
Capital Outlay	51,624	43,430	43,430	57,930	14,500	33.4%
Other	-	-	-	-	-	0.0%
Total	2,904,034	3,168,730	3,168,730	3,525,295	356,565	11.3%
Funding Types						
General	-	-	-	-	-	0.0%
Federal	-	-	-	-	-	0.0%
Other	2,904,034	3,168,730	3,168,730	3,525,295	356,565	11.3%
Total	2,904,034	3,168,730	3,168,730	3,525,295	356,565	11.3%
FTE	49.0	51.0	51.0	56.0	5.0	9.8%

- Personal Services- The agency requests no change in the Audit Division budget for FY08. The Governor recommends an increase of \$198,474 in other fund expenditure authority and 5.0 FTEs. At the request of the Governor's office, the department analyzed audit inventory, audit needs and the audit time available based on existing audit staff. It became apparent the potential audit candidate inventory would continue to grow based on the existing number of auditors. In the past 15 years the number of licensees has increase by 25%+ and without adding any additional auditors. Auditors are revenue producers, but more importantly they promote the fair and consistent application of the state's tax laws which levels the playing field for business competitors in and out of state. Out-of-state audits will be the focus of the additional staff. The Governor's recommended appropriation includes an increase of \$107,141 in other fund expenditure authority for FY08 salary policy.
- The agency requests no change in operating expenses in the Audit Division budget for FY08. The Governor recommends an increase of \$29,500 for travel, \$6,950 for contractual services, and \$14,500 for capital outlay due the recommended increase of 5 additional auditors in the Audit Division.

Selected Performance Indicators

	<u>FY06</u>	<u>FY07</u>			<u>FY08</u>
	Actual	Original Estimate	Current Estimate	Change in Estimate	Estimate
Assessments/Audits:					
Sales & Use/Excise	\$17,075,769/1,294	\$14,100,000/1,225	\$13,100,000/1,225	n/a	\$13,300,000/1,250
IFTA, Motor Fuel, Prorate	\$1,117,284/307	\$550,000/350	\$600,000/350	n/a	\$750,000/350
Combined Sales Tax/Fuel Tax	\$18,193,053/1,601	\$14,700,000/1,575	\$13,700,000/1,575	n/a	\$14,050,000/1,600
Bank Franchise/Severance Tax	\$61,912/268	\$100,000/150	\$75,000/150	n/a	\$100,000/200
Inheritance Tax	\$1,038/92	\$0/0	\$0	n/a	\$0
Tobacco Compliance	\$193,358/498	\$100,000/25	\$100,000/500	n/a	\$250,000/500
Total Assessments	\$18,449,361	\$14,675,000	\$13,875,000	(800,000)	\$14,400,000
Total Audits Performed	2,459	1,765	2,225	460	2,300

Banking

The total recommended budget for the Division of Banking consists of \$1,602,677 in other fund expenditure authority and 17.5 FTEs.

	Actual FY06	Budgeted FY07	Agency Req. FY08	Gov Rec. FY08	Inc/Dec FY08	% Change From FY07
Personal Services	805,968	994,050	1,061,990	1,102,113	108,063	10.9%
Travel	111,251	133,792	143,852	143,852	10,060	7.5%
Contractual Services	99,098	164,027	301,717	328,717	164,690	100.4%
Supplies & Materials	9,758	15,057	15,057	15,057	-	0.0%
Grants And Subsidies	-	-	-	-	-	0.0%
Capital Outlay	48,961	12,938	12,938	12,938	-	0.0%
Other	-	-	-	-	-	0.0%
Total	1,075,036	1,319,864	1,535,554	1,602,677	282,813	21.4%
Funding Types						
General	-	-	-	-	-	0.0%
Federal	-	-	-	-	-	0.0%
Other	1,075,036	1,319,864	1,535,554	1,602,677	282,813	21.4%
Total	1,075,036	1,319,864	1,535,554	1,602,677	282,813	21.4%
FTE	14.2	16.5	17.5	17.5	1.0	6.1%

Revenues

	FY06	FY07		FY08
	Actual	Original Estimate	Current Estimate	Change in Estimate
Banking Revolving Fund:				
Bank Examination Fee	975,137	998,895	900,000	(98,895)
Trust Company Examination Fee	6,099	30,000	24,000	(6,000)
Money Lenders Renewal and Applications	253,050	175,500	214,500	39,000
Other License Fees	391,670	223,750	331,750	108,000
Trust Company Supervision Fee	64,571	70,000	90,000	20,000
Investment Council Interest	1,796	20,000	7,500	(12,500)
Miscellaneous	202,002	20,000	20,000	0
Trust Company Charter Fees (General Fund)	0	20,000	10,000	(10,000)
Total	1,894,325	1,558,145	1,597,750	39,605

- **Personal Services-** The agency requests an increase of \$67,940 (\$55,000 salary, \$12,940 benefits) in other fund expenditure authority and 1.0 FTE for an Attorney/Examiner. This FTE will help oversee the rapidly growing state-chartered trust companies. The first trust company was chartered under 51A-6A in 1995. The division now oversees 20 trust companies with over \$30 Billion in total assets. One bank examiner now devotes part of his time to examination and supervision of trust companies. The division anticipates that the number and assets of trust companies will continue at a high rate of growth. The Governor recommends this request. The Governor's recommended appropriation includes an increase of \$40,123 in other fund expenditure authority for FY08 salary policy.

- Travel- The agency requests an increase of \$10,060 in other fund expenditure authority for travel expenses of the recommended attorney/examiner position. The Governor recommends this request.
- Contractual Services- The agency requests an increase of \$137,690 in other fund expenditure authority for cost of an outside consultant for database development, conversion of current systems, and staff training (\$135,000). The amount requested for FY08 is the amount of Ameriquest Settlement money available and the estimated cost for this project is \$350,000 over two years. The remainder of the increase is for the registration fee for the Cannon Trust School (\$2,500) and the insurance premiums and surety bonds (\$190) for the recommended attorney/examiner position. The Governor recommends an increase of \$164,690 which includes authority to support the division's accreditation by the Conference of State Bank Supervisors (CSBS). CSBS sponsors a comprehensive state banking performance accreditation program to enhance the professionalism of state banking departments and their personnel. The costs associated with this accreditation are for the initial accreditation, on-site review, and annual accreditation renewal.

Selected Performance Indicators

	<u>FY06</u>	<u>FY07</u>			<u>FY08</u>
	Actual	Original Estimate	Current Estimate	Change in Estimate	Estimate
Action on Applications:					
New Bank/Trust Company Charters	0/0	2/4	1/3	n/a	1/2
Branches/Changes of Location or Control	10/1	10/1	10/1	n/a	10/1
Mergers/Denied Branch Banks	1/0	2/0	1/0	n/a	1/0
Interstate Banking and Branching Institutions Examined:	1	2	1	(1)	1
Money Lenders (self examination)	284	240	300	60	310
Banks (1)	26*	30	30	0	35
Trust Companies	6	12	12	0	12
Mortgage Lenders (self examination)	292	225	325	100	335
Licenses Issued or Renewed:					
Money Lenders/Money Orders	320/21	270/25	330/20	n/a	350/20
Mortgage Lenders/Brokers	363/209	260/150	370/215	n/a	380/220
Charters Cancelled:					
Banks and Bank Branches	3	2	1	(1)	1
Asset Size of Institutions Supervised:					
Total Assets-Banks (as of Fiscal Year-end) (2)	\$13,225,732,000	\$12,415,860,000	\$13,754,761,280	1,338,901,280	\$14,304,951,731
Managed Assets - Trust Companies & Trust Departments (as of FY Midpoint)	\$34,669,887,000	\$75,000,000,000	\$37,000,000,000	(38,000,000,000)	\$40,000,000,000

* Includes examinations joint with FRB and FDIC.

1) Includes safety and soundness, IS, Trust department and BAS/USA Patriot Act examinations.

2) Statute does not require mortgage broker examination.

Securities

The total recommended budget for the Securities Division consists of \$379,355 in other fund expenditure authority and 5.0 FTEs.

	Actual FY06	Budgeted FY07	Agency Req. FY08	Gov Rec. FY08	Inc/Dec FY08	% Change From FY07
Personal Services	276,656	298,397	298,397	309,752	11,355	3.8%
Travel	6,435	14,885	14,885	14,885	-	0.0%
Contractual Services	17,765	27,810	27,810	27,810	-	0.0%
Supplies & Materials	15,260	22,908	22,908	22,908	-	0.0%
Grants And Subsidies	-	-	-	-	-	0.0%
Capital Outlay	3,488	4,000	4,000	4,000	-	0.0%
Other	-	-	-	-	-	0.0%
Total	319,604	368,000	368,000	379,355	11,355	3.1%
Funding Types						
General	-	-	-	-	-	0.0%
Federal	-	-	-	-	-	0.0%
Other	319,604	368,000	368,000	379,355	11,355	3.1%
Total	319,604	368,000	368,000	379,355	11,355	3.1%
FTE	5.0	5.0	5.0	5.0	-	0.0%

Revenues

	FY06	FY07		FY08
	Actual	Original Estimate	Current Estimate	Change in Estimate
Deposited to Securities Operating Fund:				
Securities Registration Fees	66,184	70,000	70,000	0
Franchise Registration Fees	155,600	130,000	130,000	0
Franchise Exemption Fees	12,750	13,000	13,000	0
Business Opportunities Registration Fees	300	300	300	0
Securities Opinion Fees	100	200	200	0
Investment Company Notification Fees	16,001,800	15,000,000	15,000,000	0
Agent Licensing Fees	8,383,750	7,800,000	7,800,000	0
Broker-Dealer Licensing Fees	205,950	205,000	205,000	0
Investment Adviser Fees	4,200	4,500	4,500	0
Investment Adviser Agent Fees	56,100	47,000	47,000	0
I/A Notice Filings	131,200	113,000	113,000	0
Miscellaneous	3,445	7,000	7,000	0
Investment Council Interest	113,206	150,000	150,000	0
Private Placement/Reg. D506/Other	93,750	67,000	67,000	0
Fines	306,351	60,000	60,000	0
Total	25,534,686	23,667,000	23,667,000	0

- Personal Services- The Governor's recommended appropriation includes an increase of \$11,355 in other fund expenditure authority for the FY08 salary policy.

Selected Performance Indicators

	<u>FY06</u>	<u>FY07</u>		<u>FY08</u>
	Actual	Original Estimate	Current Estimate	Change in Estimate
New Securities Applications	97	71	71	0
Extensions and Amendments	62	50	50	0
Private Placement/Other Exemptions	1/378	1/270	1/270	n/a
Invest. Comp. Notice Filings--New/Total	2,757/17,863	2,300/16,000	2,300/16,000	n/a
New Franchise Applications/Registrations	274/735	220/650	220/650	n/a
Franchise Extensions/Exemptions	482/50	446/54	446/54	n/a
Business Opportunities--New/Total	1/2	7/5	7/5	n/a
Brokers-Dealers/B-D Agents Licensed	1,314/53,765	1,300/48,000	1,300/48,000	n/a
Investment Advisers/IA Agents Licensed	40/631	40/470	40/470	n/a
Investment Advisers Notice Filing	623	550	550	0
Franchise Applications Withdrawn	180	145	145	0
Investigations	121	150	150	0
Administrative Orders Issued	95	80	80	0
Opinions Requested	1	10	10	0
Transfers to General Fund (SDCL 4-4-4.4)	\$24,995,952	\$23,667,000	\$23,000,000	(667,000)
				\$24,250,000

Insurance

The total recommended budget for the Division of Insurance consists of \$1,787,058 in other fund expenditure authority and 28.5 FTEs.

	Actual FY06	Budgeted FY07	Agency Req. FY08	Gov Rec. FY08	Inc/Dec FY08	% Change From FY07
Personal Services	1,283,108	1,369,959	1,369,959	1,421,893	51,934	3.8%
Travel	23,021	30,231	30,231	30,231	-	0.0%
Contractual Services	152,044	218,928	218,928	218,928	-	0.0%
Supplies & Materials	65,168	97,467	97,467	97,467	-	0.0%
Grants And Subsidies	-	-	-	-	-	0.0%
Capital Outlay	17,649	18,539	18,539	18,539	-	0.0%
Other	-	-	-	-	-	0.0%
Total	1,540,990	1,735,124	1,735,124	1,787,058	51,934	3.0%
Funding Types						
General	-	-	-	-	-	0.0%
Federal	-	-	-	-	-	0.0%
Other	1,540,990	1,735,124	1,735,124	1,787,058	51,934	3.0%
Total	1,540,990	1,735,124	1,735,124	1,787,058	51,934	3.0%
FTE	27.8	28.5	28.5	28.5	-	0.0%

Revenues

	FY06	FY07		FY08
	Actual	Original Estimate	Current Estimate	Change in Estimate
Taxes Collected (General Fund)	55,298,267	55,000,000	55,000,000	0
Fees (Insurance Operating Fund):				
Admission	99,402	85,000	100,000	15,000
Company Renewal	83,770	80,000	85,000	5,000
Agent Licensing/Renewal	1,995,280	3,960,000	6,000,000	2,040,000
Exam Fees	13,210	12,000	13,500	1,500
Miscellaneous and Legal	19,636	14,000	19,500	5,500
Retaliatory/Filing	945,915	850,000	950,000	100,000
Administrative Penalties	51,978	70,000	52,000	(18,000)
Lists and Labels	6,140	5,000	6,000	1,000
Certification Letters	11,920	28,000	11,500	(16,500)
Investment Council Interest	21,418	19,000	21,000	2,000
Course Approval	23,875	21,500	24,000	2,500
Subsequent Injury Fund:				
Sub-Injury Fund Assessment	7,928,214	5,000,000	7,500,000	2,500,000
Investment Council Interest	31,660	33,000	32,000	(1,000)
Continuing Education Fund:				
Agent Renewal Fees (Biennial renewal)	87,776	0	500	500
Investment Council Interest	1,530	1,300	1,200	(100)
Special Collections for Workers Comp				
Policy Fee (Transferred to Dept. of Labor)	265,434	220,000	265,000	45,000
Examination Fund (Effective 7-1-97)	837,900	420,000	500,000	80,000
Investment Council Interest	8,637	20,000	8,600	(11,400)
Total	67,731,962	65,838,800	70,589,800	4,751,000

Selected Performance Indicators

	<u>FY06</u>	<u>FY07</u>			<u>FY08</u>
	Actual	Original Estimate	Current Estimate	Change in Estimate	Estimate
Total Licensed/Domestic Companies	1,424/45	1,420/45	1,424/45	n/a	1,445/44
Domestic Companies Financial Exams	5	24	7	(17)	21
Company Market Conduct Exams	0	2	1	(1)	1
Companies Licensed/Approved Mergers	43	30	43	13	43
Agent Licenses Issued	18,823	9,500	10,000	500	10,000
Agent Appointments Issued	54,610	55,000	55,500	500	56,000
Renewed Appointments	138,471	150,000	139,000	(11,000)	140,000
Agent Appointment Cancellations	14,000	14,200	14,000	(200)	14,000
Property/Casualty Filings Reviewed	6,460	6,800	6,500	(300)	6,500
Life/Health Filings Reviewed	3,862	4,200	4,000	(200)	4,000
Consumer Complaints Closed	1,087	1,400	1,100	(300)	1,100
Enforcement/New Open Files	805	625	750	125	750
Enforcement/Closed Files	870	590	750	160	750
Continuing Education:					
Agents Paying License Renewal	4,389	0	0	0	4,400
Agents Exempt	2,404	0	0	0	2,500
Agents Reporting Completion	4,389	0	0	0	4,400
Courses Reviewed	955	875	900	25	900
Courses Monitored	7	12	10	(2)	10
Agent Licenses Cancelled	1,206	0	0	0	1,200
Transfer to General Fund (SDCL 4-4-4.4)	1,302,746	3,000,000	5,500,000	2,500,000	3,500,000
Subsequent Injury Fund:					
New Claims	46	45	44	(1)	35
Claims Paid	140	100	140	40	140
Dollars Paid	8,198,791	5,500,000	8,000,000	2,500,000	8,000,000

- Personal Services- The Governor’s recommended appropriation includes an increase of \$51,934 in other fund expenditure authority for FY08 salary policy.

Insurance Fraud Unit—Informational

The total recommended budget for the Insurance Fraud Unit consists of \$313,463 in other fund expenditure authority and 4.0 FTEs.

	Actual FY06	Budgeted FY07	Agency Req. FY08	Gov Rec. FY08	Inc/Dec FY08	% Change From FY07
Personal Services	134,388	218,421	218,421	226,691	8,270	3.8%
Travel	11,372	22,430	22,430	22,430	-	0.0%
Contractual Services	47,197	50,442	50,442	50,442	-	0.0%
Supplies & Materials	6,127	11,500	11,500	11,500	-	0.0%
Grants And Subsidies	-	-	-	-	-	0.0%
Capital Outlay	2,800	2,400	2,400	2,400	-	0.0%
Other	-	-	-	-	-	0.0%
Total	201,884	305,193	305,193	313,463	8,270	2.7%
Funding Types						
General	-	-	-	-	-	0.0%
Federal	-	-	-	-	-	0.0%
Other	201,884	305,193	305,193	313,463	8,270	2.7%
Total	201,884	305,193	305,193	313,463	8,270	2.7%
FTE	3.0	4.0	4.0	4.0	-	0.0%

Revenues

	FY06	FY07			FY08
	Actual	Original Estimate	Current Estimate	Change in Estimate	Estimate
Company Assessments	346,250	345,000	347,000	2,000	20,000
Civil Penalties	1,120	0	0	0	0
Investment Council Interest	5,803	12,000	5,500	(6,500)	3,500
Total	353,173	357,000	352,500	(4,500)	23,500

- Personal Services- The Governor's recommended appropriation includes an increase of \$8,270 in other fund expenditure authority for FY08 salary policy.

Selected Performance Indicators

	FY06	FY07			FY08
	Actual	Original Estimate	Current Estimate	Change in Estimate	Estimate
Educational Programs	15	18	15	(3)	15
New Fraud Cases	96	135	100	(35)	100
Cases Closed--Unfounded	85	80	85	5	85
Criminal Convictions	6	12	6	(6)	6
Civil Convictions	0	0	0	0	0

Petroleum Release Compensation

The total recommended budget for Petroleum Release Compensation consists of \$439,184 in other fund expenditure authority and 5.0 FTEs.

	Actual FY06	Budgeted FY07	Agency Req. FY08	Gov Rec. FY08	Inc/Dec FY08	% Change From FY07
Personal Services	257,891	304,629	304,629	316,131	11,502	3.8%
Travel	16,682	27,624	27,624	27,624	-	0.0%
Contractual Services	45,933	71,057	71,057	71,057	-	0.0%
Supplies & Materials	6,996	20,670	20,670	20,670	-	0.0%
Grants And Subsidies	-	-	-	-	-	0.0%
Capital Outlay	4,367	3,702	3,702	3,702	-	0.0%
Other	-	-	-	-	-	0.0%
Total	331,869	427,682	427,682	439,184	11,502	2.7%
Funding Types						
General	-	-	-	-	-	0.0%
Federal	-	-	-	-	-	0.0%
Other	331,869	427,682	427,682	439,184	11,502	2.7%
Total	331,869	427,682	427,682	439,184	11,502	2.7%
FTE	5.0	5.0	5.0	5.0	-	0.0%

Revenues

	FY06	FY07			FY08
	Actual	Original Estimate	Current Estimate	Change in Estimate	Estimate
Refund Prior Year's Expenditure	50,000	0	0	0	0
Deposited to Petroleum Release Comp Fund:					
Petroleum Tank Inspection Fee	1,646,000	1,600,000	1,700,000	100,000	1,700,000
Interest	160,977	200,000	150,000	(50,000)	150,000
Total	1,856,977	1,800,000	1,850,000	50,000	1,850,000

- Personal Services- The Governor's recommended appropriation includes an increase of \$11,502 in other fund expenditure authority for FY08 salary policy.

Selected Performance Indicators

	FY06	FY07			FY08
	Actual	Original Estimate	Current Estimate	Change in Estimate	Estimate
Petroleum Release Cases Initiated	29	25	30	5	30
Responsible Parties Reimbursed	169	200	175	(25)	175
Abandoned Tank Site Initiated	38	50	30	(20)	30
Claims Processed and Paid:					
Abandoned Tank Program	148	100	100	0	100
Regular Program	126	250	150	(100)	150
Public Presentations	6	6	6	0	6
Review Contracts and Corrective Action Plan	188	300	175	(125)	175
Board Meetings	3	4	4	0	4

Petroleum Release Compensation Fund--Informational

The total recommended budget for the Petroleum Release Compensation Fund consists of \$2,100,000 in other fund expenditure authority and 0.0 FTE.

	Actual FY06	Budgeted FY07	Agency Req. FY08	Gov Rec. FY08	Inc/Dec FY08	% Change From FY07
Personal Services	-	-	-	-	-	0.0%
Travel	-	-	-	-	-	0.0%
Contractual Services	126,004	100,000	100,000	100,000	-	0.0%
Supplies & Materials	767	-	-	-	-	0.0%
Grants And Subsidies	952,355	3,500,000	2,000,000	2,000,000	(1,500,000)	(42.9%)
Capital Outlay	-	-	-	-	-	0.0%
Other	-	-	-	-	-	0.0%
Total	1,079,126	3,600,000	2,100,000	2,100,000	(1,500,000)	(41.7%)
Funding Types						
General	-	-	-	-	-	0.0%
Federal	-	-	-	-	-	0.0%
Other	1,079,126	3,600,000	2,100,000	2,100,000	(1,500,000)	(41.7%)
Total	1,079,126	3,600,000	2,100,000	2,100,000	(1,500,000)	(41.7%)
FTE	-	-	-	-	-	0.0%

- Grants and Subsidies- The agency requests a decrease of \$1,500,000 in other fund expenditure authority to reflect the actual expenditures of this program. The Governor recommends this request.

Instant and On-Line Operations—Informational

The total recommended budget for Instant and On-Line Operations consists of \$26,368,174 in other fund expenditure authority and 21.0 FTEs.

	Actual FY06	Budgeted FY07	Agency Req. FY08	Gov Rec. FY08	Inc/Dec FY08	% Change From FY07
Personal Services	908,749	1,120,657	1,120,657	1,163,022	42,365	3.8%
Travel	122,136	135,684	135,684	135,684	-	0.0%
Contractual Services	28,202,376	24,097,468	24,097,468	24,097,468	-	0.0%
Supplies & Materials	921,368	928,000	928,000	928,000	-	0.0%
Grants And Subsidies	-	-	-	-	-	0.0%
Capital Outlay	189,575	40,000	40,000	40,000	-	0.0%
Other	145	4,000	4,000	4,000	-	0.0%
Total	30,344,349	26,325,809	26,325,809	26,368,174	42,365	0.2%
Funding Types						
General	-	-	-	-	-	0.0%
Federal	-	-	-	-	-	0.0%
Other	30,344,349	26,325,809	26,325,809	26,368,174	42,365	0.2%
Total	30,344,349	26,325,809	26,325,809	26,368,174	42,365	0.2%
FTE	19.6	21.0	21.0	21.0	-	0.0%

Revenues

	FY06	FY07			FY08
	Actual	Original Estimate	Current Estimate	Change in Estimate	Estimate
Instant Proceeds--General Fund	3,568,429	3,600,000	3,650,000	50,000	3,650,000
On-Line Proceeds--General Fund	1,400,000	1,400,000	1,400,000	0	1,400,000
On-Line Proceeds--Capital Construction Fund	4,008,789	2,800,000	3,700,000	900,000	3,700,000
Total	8,977,218	7,800,000	8,750,000	950,000	8,750,000

- Personal Services- The Governor's recommended appropriation includes an increase of \$42,365 in other fund expenditure authority for FY08 salary policy.

Selected Performance Indicators

	FY06	FY07			FY08
	Actual	Original Estimate	Current Estimate	Change in Estimate	Estimate
Instant Games Introduced	26	24	26	2	26
On-Line Games Offered	4	4	4	0	4
Licensed Lottery Retailers--Instant	609	605	609	4	609
Licensed Lottery Retailers--On-Line	407	380	440	60	440
Prizes Paid to Players	\$21,968,918	\$19,400,000	\$21,660,000	2,260,000	\$21,660,000
Retailer Commissions Paid	\$2,218,190	\$2,281,300	\$2,120,000	(161,300)	\$2,120,000
Instant Games Total Sales	\$18,313,539	\$17,300,000	\$18,860,000	1,560,000	\$18,860,000
On-Line Games Total Sales	\$20,895,509	\$17,900,000	\$19,500,000	1,600,000	\$19,500,000

Video Lottery

The total recommended budget for Video Lottery consists of \$2,077,827 in other fund expenditure authority and 10.0 FTEs.

	Actual FY06	Budgeted FY07	Agency Req. FY08	Gov Rec. FY08	Inc/Dec FY08	% Change From FY07
Personal Services	444,395	485,199	485,199	503,524	18,325	3.8%
Travel	18,102	20,618	20,618	20,618	-	0.0%
Contractual Services	1,132,377	1,122,569	1,122,569	1,122,569	-	0.0%
Supplies & Materials	22,576	37,116	37,116	37,116	-	0.0%
Grants And Subsidies	-	-	-	-	-	0.0%
Capital Outlay	7,691	180,000	180,000	180,000	-	0.0%
Other	180,833	214,000	214,000	214,000	-	0.0%
Total	1,805,974	2,059,502	2,059,502	2,077,827	18,325	0.9%
Funding Types						
General	-	-	-	-	-	0.0%
Federal	-	-	-	-	-	0.0%
Other	1,805,973	2,059,502	2,059,502	2,077,827	18,325	0.9%
Total	1,805,973	2,059,502	2,059,502	2,077,827	18,325	0.9%
FTE	10.5	10.0	10.0	10.0	-	0.0%

Revenues

	FY06	FY07		FY08
	Actual	Original Estimate	Current Estimate	Change in Estimate
License Fees to VL Operating Fund	1,158,000	1,125,000	1,160,000	35,000
Additional MFG. License Fee--General Fund	45,000	45,000	45,000	0
Video Lottery Proceeds--General Fund	0	0	0	0
Video Lottery Proceeds--Property Tax Reduction Fund	109,451,209	113,600,000	110,545,721	(3,054,279)
Video Lottery Proceeds--VL Operating Fund	1,105,568	1,147,475	1,116,623	(30,852)
Miscellaneous Revenue	75,113	200,000	100,000	(100,000)
Total	111,834,890	116,117,475	112,967,344	(3,150,131)

- Personal Services- The Governor's recommended appropriation includes an increase of \$18,325 in other fund expenditure authority for FY08 salary policy.

Selected Performance Indicators

	FY06	FY07		FY08
	Actual	Original Estimate	Current Estimate	Change in Estimate
Machines Placed (12-Month Avg.)	8,716	8,600	8,750	150
Licensed Establishments (12-Month Avg.)	1,463	1,440	1,470	30
Licensed Operators	163	165	165	0
Licensed Distributors	3	3	3	0
Licensed Manufacturers	3	3	3	0

Real Estate Commission--Informational

The total recommended budget for the Real Estate Commission consists of \$456,418 in other fund expenditure authority and 5.0 FTEs.

	Actual FY06	Budgeted FY07	Agency Req. FY08	Gov Rec. FY08	Inc/Dec FY08	% Change From FY07
Personal Services	205,788	247,429	247,429	256,753	9,324	3.8%
Travel	38,443	23,050	23,050	23,050	-	0.0%
Contractual Services	159,534	152,415	152,415	152,415	-	0.0%
Supplies & Materials	32,377	24,200	24,200	24,200	-	0.0%
Grants And Subsidies	-	-	-	-	-	0.0%
Capital Outlay	7,621	-	-	-	-	0.0%
Other	-	-	-	-	-	0.0%
Total	443,763	447,094	447,094	456,418	9,324	2.1%
Funding Types						
General	-	-	-	-	-	0.0%
Federal	-	-	-	-	-	0.0%
Other	443,763	447,094	447,094	456,418	9,324	2.1%
Total	443,763	447,094	447,094	456,418	9,324	2.1%
FTE	4.8	5.0	5.0	5.0	-	0.0%

Revenues

	FY06	FY07		Change in Estimate	FY08
	Actual	Original Estimate	Current Estimate		Estimate
Application Fees	107,031	76,475	87,975	11,500	87,975
New License Fees	29,648	11,800	18,000	6,200	18,000
Renewal Fees	279,208	191,525	164,200	(27,325)	279,850
Materials Sold	16,220	5,200	5,850	650	5,850
Interest Income	17,616	15,000	15,000	0	15,000
Changes of Address	8,070	5,500	6,000	500	6,000
Certificates of Licensure	2,595	1,200	2,000	800	2,000
Late Renewal Fees	6,235	5,000	5,000	0	5,000
Intrastate Sales and Services	720	720	720	0	720
Penalties Reimbursement of Investigations	36,874	10,000	10,000	0	10,000
Seminar Income	77,830	55,000	65,000	10,000	65,000
Miscellaneous	42	100	100	0	100
Total	582,089	377,520	379,845	2,325	495,495

- **Personal Services-** The Governor's recommended appropriation includes an increase of \$9,324 in other fund expenditure authority for FY08 salary policy.

Selected Performance Indicators

	<u>FY06</u>	<u>FY07</u>			<u>FY08</u>
	Actual	Original Estimate	Current Estimate	Change in Estimate	Estimate
Licenses Renewed/New	2,341/540	1,560/350	1,560/350		2,330/350
Practitioners	4,515	3,800	3,800	0	3,800
Examinations:					
Nationally Prepared (Times Given)	567	350	350	0	350
Applicants Examined/Passed	346/284	250/200	250/200	n/a	250/200
State Prepared (Times Given)	66	80	80	0	80
Applicants Examined/Passed	59/53	70/65	70/65	n/a	70/65
Applicants Reexamined/Passed	136/98	50/40	50/40	n/a	50/40
Complaints:					
Received/Investigated/Resolved	21/24/24	40/34/31	40/34/31	n/a	40/34/31
Hearings Held/Pending	12/10	17/16	17/16	n/a	17/16
Licensees Reprimanded/Probationed	2	10	10	0	10
Licenses Suspended/Revoked	4	3	3	0	3
No Action Taken Against Licensee	17	20	20	0	20
Total Prosecutions	0	0	1	1	1
Inspections	21	3	3	0	3
Audits	329	375	375	0	375
Inquiries Received and Answered	50,547	25,000	45,000	20,000	45,000
Applicants Denied SD Licensure	2	1	1	0	1
Board Meetings Held	8	8	8	0	8

Abstracters Board of Examiners--Informational

The total recommended budget for Abstracters Board of Examiners consists of \$21,521 in other fund expenditure authority and 0.0 FTE.

	Actual	Budgeted	Agency Req.	Gov Rec.	Inc/Dec	% Change
	FY06	FY07	FY08	FY08	FY08	From FY07
Personal Services	14,016	13,112	14,500	14,971	1,859	14.2%
Travel	2,487	3,000	3,500	3,500	500	16.7%
Contractual Services	2,072	1,800	2,400	2,400	600	33.3%
Supplies & Materials	221	400	650	650	250	62.5%
Grants And Subsidies	-	-	-	-	-	0.0%
Capital Outlay	-	-	-	-	-	0.0%
Other	-	-	-	-	-	0.0%
Total	18,796	18,312	21,050	21,521	3,209	17.5%

Funding Types

General	-	-	-	-	-	0.0%
Federal	-	-	-	-	-	0.0%
Other	18,796	18,312	21,050	21,521	3,209	17.5%
Total	18,796	18,312	21,050	21,521	3,209	17.5%

FTE - - - - - 0.0%

Note: The personal services line item in this program is for board members' per diem.

Revenues

	<u>FY06</u>	<u>FY07</u>		Change in Estimate	<u>FY08</u>
	Actual	Original Estimate	Current Estimate		Estimate
Examination Fees	550	300	600	300	600
Reexamination Fees	190	100	200	100	200
New License Fees	0	900	1,100	200	0
Renewal Fees	0	18000	20,700	2,700	0
Materials Sold	0	0	0	0	0
Interest Income	215	450	220	(230)	220
Plant Inspections	984	1900	1,000	(900)	1,000
Total	1,939	21,650	23,820	2,170	2,020

- **Personal Services-** The agency requests an increase of \$1,388 to provide sufficient authority for actual per diem paid to board members. The Governor recommends this request and an increase of \$471 for FY08 salary policy.
- **Travel-** The agency requests an increase of \$500 to provide sufficient authority for travel costs associated with the board. The Governor recommends this request.
- **Contractual Services-** The agency requests an increase of \$600 to provide sufficient authority for contractual services costs associated with the board. The Governor recommends this request.
- **Supplies and Materials-** The agency requests an increase of \$250 to provide sufficient authority for supplies and materials costs associated with the board. The Governor recommends this request.

Selected Performance Indicators

	<u>FY06</u>	<u>FY07</u>			<u>FY08</u>
	Actual	Original Estimate	Current Estimate	Change in Estimate	Estimate
Licenses Renewed	0	75	79	4	3
New Licenses	0	0	4	4	3
Practitioners	155	0	160	160	170
Examinations:					
State Prepared (Times Given)	3	0	3	3	3
Applicants Examined	11	5	10	5	10
Applicants Reexamined	10	2	10	8	10
Complaints:					
Received/Investigated/Resolved	2/2/2	1/1/1	2/2/2	397	2/2/2
Hearings Held	0	0	0	0	0
Miscellaneous:					
Inspections	3	3	3	0	3
Inquiries Received and Answered	8	9	10	1	10
Board Meetings Held	3	3	3	0	3

Commission on Gaming--Informational

The total recommended budget for State the Commission on Gaming consists of \$1,312,475 in other fund expenditure authority and 16.0 FTEs.

	Actual FY06	Budgeted FY07	Agency Req. FY08	Gov Rec. FY08	Inc/Dec FY08	% Change From FY07
Personal Services	653,734	808,847	808,847	839,175	30,328	3.7%
Travel	58,304	86,420	86,420	86,420	-	0.0%
Contractual Services	350,305	319,625	319,625	319,625	-	0.0%
Supplies & Materials	31,314	58,000	58,000	58,000	-	0.0%
Grants And Subsidies	8,732,507	-	-	-	-	0.0%
Capital Outlay	16,911	9,255	9,255	9,255	-	0.0%
Other	2,888	-	-	-	-	0.0%
Total	9,845,963	1,282,147	1,282,147	1,312,475	30,328	2.4%
Funding Types						
General	-	-	-	-	-	0.0%
Federal	-	-	-	-	-	0.0%
Other	9,845,963	1,282,147	1,282,147	1,312,475	30,328	2.4%
Total	9,845,963	1,282,147	1,282,147	1,312,475	30,328	2.4%
FTE	13.8	16.0	16.0	16.0	-	0.0%

Revenues

	FY06	FY07		FY08
	Actual	Original Estimate	Current Estimate	Change in Estimate
Gaming Fund:				Estimate
Device Fee	6,262,000	6,178,000	7,054,000	876,000
Gross Revenue Tax	6,688,194	6,300,000	6,700,000	400,000
City Slot Tax	398,761	540,000	304,000	(236,000)
Application Fee	139,510	110,000	120,000	10,000
License Fee	97,300	95,000	95,000	0
Device Testing Fee	11,537	5,000	8,000	3,000
Penalties	7,000	5,000	5,000	0
Interest	47,263	50,000	50,000	0
Racing Revenues:				
Dogs:				
Commission	36,764	57,000	37,000	(20,000)
Licenses and Fines	6,870	7,500	7,500	0
Revolving Fund	36,764	57,000	37,000	(20,000)
Bred Fund	36,764	57,000	37,000	(20,000)
Horses:				
Commission	64,827	90,000	65,000	(25,000)
Licenses and Fines	16,200	15,000	16,000	1,000
Revolving Fund	54,083	90,000	55,000	(35,000)
Bred Fund	57,503	90,000	55,000	(35,000)
Interest	14,416	32,000	15,000	(17,000)
Total	13,975,756	13,778,500	14,660,500	882,000

- Personal Services- The Governor's recommended appropriation includes an increase of \$30,328 in other fund expenditure authority for FY08 salary policy.

Selected Performance Indicators

	<u>FY06</u>	<u>FY07</u>			<u>FY08</u>
	Actual	Original Estimate	Current Estimate	Change in Estimate	Estimate
Licenses Issued:					
Manufacturers/Distributors	12	13	13	0	13
Operators/Retailers	35/157	33/142	35/157	n/a	36/170
Support/Key Employees	1,543	1,500	1,500	0	1,500
Device Licenses	3,131	3,089	3,527	438	3,527
Gaming Distributions	12,478,791	10,120,000	10,500,000	380,000	10,500,000

Other Departmental Issues

A. Interim Appropriation Actions

No interim appropriation actions were taken.

B. Letters of Intent – FY07

No Letters of Intent items for FY07.

C. Department of Revenue and Regulation

General Fund Reversions FY02-FY06

FY02- \$37,970

FY03- \$31,729

FY04- \$113,348

FY05- \$48,385

FY06- \$6,821