

**SOUTH DAKOTA BOARD OF REGENTS**

**Budget and Finance**

**AGENDA ITEM: 6 – A**  
**DATE: December 11-12, 2024**

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**SUBJECT**

**FY26 Legislative Session**

**CONTROLLING STATUTE, RULE, OR POLICY**

[SDCL 4-7-7](#) – Annual Budget Estimates Submitted by Budget Units

[SDCL 4-7-9](#) – Preparation and submission of budget report to Legislature

**BACKGROUND / DISCUSSION**

On the first Tuesday of December, the Governor presents the recommended budget for the next fiscal year to the State Legislature and the public. Governor Noem gave her FY26 budget address on December 3, 2024. She mentioned that while South Dakota remains financially strong, on-going revenues for FY25 have come in lower than anticipated, requiring a \$26.4 million reduction to the on-going revenues available for the current fiscal year. When combined with the FY26 projected on-going revenue growth, the total available revenue growth for FY26 is \$44.2 million. To balance the budget and cover mandatory funding changes, inflation increases, on-going expenses, and continuous appropriations, the Governor proposes \$71.9 million in budget reductions and discretionary changes across state agencies.

To keep pace with market and inflationary pressures, the Governor recommends a 1.25% market adjustment for state employees and a \$537 increase per FTE for state employee health insurance for FY26.

Due to historic growth in unclaimed property receipts, the Governor is recommending \$175.3 million in available one-time revenues for FY25 and proposes using these funds to pay off debt, invest in public safety, and increase rainy day reserves.

**IMPACT AND RECOMMENDATIONS**

**Base General Funding**

The Governor is proposing a base general fund decrease of \$10,382,174 for the Board of Regents (BOR) for FY26. Further details are available in Attachment I. The proposed budget includes:

- \$9,088,656 reduction of maintenance and repair funding, to fall from 1.75% to 1.25% of replacement value;

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**INFORMATIONAL ITEM**

- \$2,000,000 reduction across the system to address the State's reduced revenues;
- \$400,000 reduction for the dissolution of the Dakota Digital Network (DDN);
- An additional \$104,000 and 1.0 FTE for remote learning IT personnel and software licensing support due to the termination of the DDN;
- \$300,000 and 1.1 FTE for the creation of an emergency medicine clinical department and residency program at the USD Sanford School of Medicine;
- a \$706,848 increase for system-wide utilities;
- and a reduction of \$4,366 for the critical deferred maintenance lease payment.

Proposed FY25 General Bill Amendments

An increase of \$142,146 in general funds for system-wide utilities adjustments has been recommended in the FY25 General Bill amendment.

Proposed FY25 Emergency Special Appropriations

Also recommended is a special appropriation of general funds to pay off the remaining debt associated with the SDSU Precision Agriculture Building. House Bill 1264 in the 2018 Legislative Session authorized a bond issuance for this building. This would save the state over \$4.3 million in interest and fees, while also freeing up \$900,000 in ongoing general funds.

**ATTACHMENTS**

Attachment I – FY26 Budget Request Summary – Governor's Recommended

<b>South Dakota Board of Regents FY26 Board of Regents Request and Governor's Recommended</b>				
	<b>Base General Fund</b>	<b>FTE</b>	<b>Base General Fund</b>	<b>FTE</b>
<b>FY25 Base General Fund Budget</b>	\$318,890,170	5,079.4	\$318,890,170	5,079.4
<b>Priorities</b>	<b>Requested</b>		<b>Recommended</b>	
<b>System - Academic Building Insurance</b>	\$3,196,736	0.0	\$0	0.0
<b>System - Cybersecurity Technology Funding</b>	\$2,750,000	0.0	\$0	0.0
<b>USD/SSOM - Emergency Medicine Residency</b>	\$300,000	1.1	\$300,000	1.1
<b>System - Tuition Inflationary Buy-Down</b>	\$3,500,000	0.0	\$0	0.0
<b>System - Additional General Fund Maintenance and Repair</b>	\$7,429,929	0.0	(\$9,088,656)	0.0
<b>System - General Fund Budget Reduction</b>		0.0	(\$2,000,000)	0.0
<b>RIS - Dakota Digital Network Reduction</b>			(\$400,000)	0.0
<b>RIS/NSU-HSEL - Remote Learning IT Personnel and Software Licensing Support</b>			\$104,000	1.0
<b>Base Budget Maintenance</b>				
Utilities Adjustment	\$541,635	0.0	\$706,848	0.0
Utilities Adjustment - Addition of USD-SF and BHSU-RC	\$473,126	0.0	\$0	0.0
Lease Adjustment	(\$4,366)	0.0	(\$4,366)	0.0
<b>FY26 Requested and Recommended</b>	\$18,187,060	1.1	(\$10,382,174)	2.1
<b>FY26 Total Base Funding Recommended</b>	\$337,077,230	5,104.5	\$308,507,996	5,105.5
<b>Increase without Salary Policy</b>	5.4%	0.5%	-3.4%	0.5%
<b>One-Time General Fund Requests</b>				
<b>System - Academic Building Insurance</b>	\$3,196,736	0.0	\$0	0.0
<b>System - Classroom Innovation</b>	\$5,300,000	0.0	\$0	0.0
<b>System - Student Security Upgrades</b>	\$14,725,500	0.0	\$0	0.0
<b>System - Lab Equipment &amp; Upgrades</b>	\$8,319,000	0.0	\$0	0.0
<b>System - Utilities Adjustments</b>	(\$19,601)	0.0	\$142,146	0.0
<b>System - Utilities Adjustments - Addition of USD-SF and BHSU-RC</b>	\$451,317	0.0	\$0	0.0
<b>SDSU - Precision Agriculture Building Bond Payoff</b>	\$0	0.0	\$15,496,237	0.0
<b>FY26 Tuition Fund Authority Requests</b>				
<b>Authority Changes</b>	\$2,000,000	3.0	2,000,000	3.0
<b>FY26 Federal and Other Fund Authority Requests</b>				
<b>Authority Changes</b>	\$12,991,000	16.0	14,841,000	16.0
<b>FY26 Informational Federal and Other Fund Authority Requests</b>				
<b>Authority Changes</b>	\$2,000,000	5.0	\$2,000,000	5.0

\* The Governor is recommending an FY25 Emergency Special Appropriations for this one-time funding request.

\*\* The Governor is recommending FY25 General Bill Amendment for these one-time funding requests.