

Is it good news or bad news?

Is a surplus in a government's budget good news or bad news?

If you're in the business of spending government money, I suppose it's good news.

If you're in the position of being taxed to provide those funds, you may not be as inclined to think such a development is hunky dory.

Gov. Dennis Daugaard believes the fact that South Dakota finished its 2011-12 fiscal year in the black is very good news.

The state's ongoing revenues exceeded ongoing expenses by \$47.8 million.

That is no small chunk of change. For us South Dakotans, anyway.

A little over a decade ago, in contrast, Gov. Bill Janklow was not happy with many of South Dakota's public school districts.

Why? The districts were following a budget approach that in many ways is similar to Daugaard's. School boards across the state, at a time of relative uncertainty following the establishments of property tax freezes and infusions of state aid from Pierre, began taking a very conservative approach when it came time to formulating their budgets.

They began building reserve funds. Janklow was not pleased.

During the 2000 session of the South Dakota Legislature, Janklow repeatedly called for imposing some conditions and restraints on how school districts handle reserve funds. He argued at that time that some schools had built excessive reserves with money they should instead have been using to educate students.

According to Janklow, school boards needed to strive to spend nearly all of the taxpayer-generated revenue they received. Those dollars were not being paid by South Dakota taxpayers to be, well, NOT spent.

After negotiations that included Janklow and leaders of both houses in Pierre, a bill was approved, and eventually signed by the governor that merely prohibited districts from transferring general operating money to capital outlay funds that are used for equipment and buildings.

Janklow had said he might veto nearly \$300 million in state aid to school districts to make sure lawmakers discussed school reserves before ending the legislative session.

He also noted back then school districts' total general fund reserves had increased from \$77 million in 1994 to \$197 million in 1999. During that period, state aid to schools increased substantially, and schools contended they needed even more state money, he said.

But Janklow wound up signing the budget bill without striking the part of the state budget that provides state aid to school districts.

The issue of school district reserve funds came at the beginning of a new era in the way school districts are funded in this state. Janklow and the Legislature had cut property taxes by 30 percent for owner-occupied homes and agricultural land by boosting state aid to education, but the reduction was partly offset by increased taxes for capital outlays.

After Janklow criticized schools in 1999 for building their reserves, some districts shifted general operating money into capital outlay reserves that are used for equipment and buildings.

After 2000, school boards could no longer do that. They, naturally, began spending as Janklow wanted them to. They really didn't have a choice. The new law passed by the 2000 Legislature took one more bit of local control away from school boards, and forced local districts to handle their revenue in very specific ways.

One message seemed to be driven home loud and clear that year, even though it may not, at that time, been adopted as a formal policy: school district reserves were to be spent, not

built up.

Should the same philosophy be followed with our state budget?

It's easy to celebrate the \$50 million extra in our state coffers. But it's not like it just came from nowhere. It came from me and you, in the form of taxes. And it came from a host of other sources.

It came from school districts that have endured years of cuts in the amount of state funding they receive from Pierre. Remember the state law that says state aid to school districts must increase each year by the rate of inflation or 3 percent, whichever is less? That law was first deliberately broken by Gov. Mike Rounds during his last year in office, and it has pretty much been ignored by lawmakers ever since.

Gov. Daugaard had barely finished moving into the governor's mansion in 2011 when he proposed 10 percent statewide budget cuts. In late January 2011, he noted that schools could make cuts or go to local taxpayers and ask for an increase in property taxes in order to stave off the effects of his proposed budget slashing.

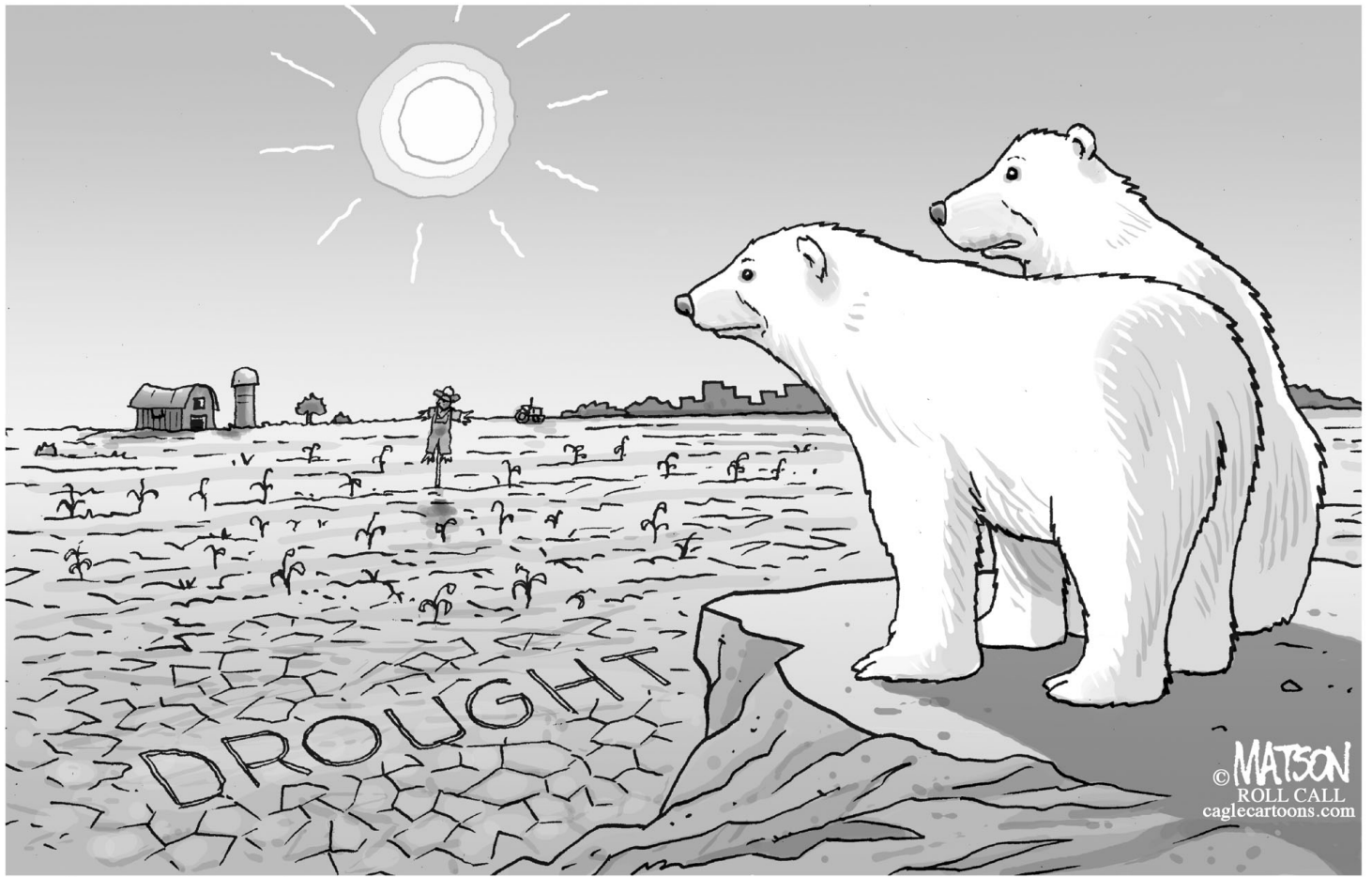
The state budget excess that was revealed this week also came, in part, from cuts to higher education budgets, which has forced our public universities to, among other things, hike tuition fees by at least 7 percent annually for the last two years. Education isn't the only aspect of state government that has felt the pain of budget cuts in the past couple years. A listing of every state entity that has been affected by the cuts would likely fill this paper. South Dakota House Minority Leader Bernie Hunhoff of Yankton talked about some dollar figures this week that haven't been mentioned by governor. At least not yet.

The \$50 million surplus comes at a time when the state is sitting on approximately \$134 million in reserve funds. South Dakota also has about \$800 million in trust funds, according to the Yankton senator.

We know that state lawmakers work hard every year to balance our state's budget. These have been challenging times, with a weak national economy, catastrophic flooding of the Missouri River last year, and a severe drought this summer. We know lawmakers in other states that are facing severe budget deficits are likely feeling a bit envious of South Dakota's fiscal position right now.

So, is the budget surplus good news or bad news? As you contemplate that question, keep a couple things in mind. You've personally helped create that surplus with the taxes you've paid. And if you're a teacher or a state employee, you've added just a bit extra to that amount in the form of the freeze in pay you've been asked to endure, or a reduction in hours or perhaps even the elimination of some of your co-workers, all in the spirit of cost-cutting.

Personally, if anyone is to be congratulated for South Dakota's envious fiscal condition, it's you. And everyone else who loves this state, and loves their job, and tries to do the best they can every year. Let's hope the increased productivity and the cuts in services we've all had to endure so that we may further pad our state's budget surplus will someday be rewarded with the wise allocation of those extra dollars in a way that will benefit us all.



"I USED TO BELIEVE GLOBAL WARMING WAS A VAST HUMAN CONSPIRACY TO DESTROY THE POLAR ICE CAPS... BUT NOW I'M NOT SO SURE!"

Guest Commentary:

Daugaard: Protecting your tax dollars

By Gov. Dennis Daugaard

This week, the state budget office announced that South Dakota closed the 2011-2012 fiscal year in the black. The state's ongoing revenues exceeded ongoing expenses by \$47.8 million.

This is good news for South Dakota, and it happened because we applied common sense to our budgeting.

Imagine you are the owner and publisher of this newspaper, and you are planning your budget for the coming year. You would have to make your plan based on projections about your newspaper business. Certainly, you would consider recent trends in your business, your experience with newspapers, and the economic health of your town.

If you were running that newspaper, would you assume a big increase in advertising sales? Would you plan for lots of new subscribers? Would you calculate that your printing and delivery costs will go down?

Of course not. You might hope for those things to happen, but it would be very foolish to take them for granted. If you plan to spend



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We hoped that our businesses would quickly bounce back from the recession. We hoped that grain prices would remain high and favorable weather for farmers would continue. We hoped that the growth in Medicaid enrollees would slow down, and that home construction would speed up. We hoped that state departments would come in under-budget.

We hoped for these things – but we didn't take any of them for granted. We didn't assume everything would go our way.

every last dollar under the best-case scenario, your business will be in trouble if things don't go as planned.

The South Dakota state budget works in the same way. When I came into office, our state faced a projected budget deficit of \$127 million. We made tough choices to balance our budget without raising taxes.

In the fiscal year that just ended, things turned out a little better than we planned. That is good news. It shows that we are being cautious. I would rather have a little extra than come up a little short. And in the 2012 session, we were able to spend extra money on priorities like K-12 education because things turned out better than we planned.

South Dakota's economy is one of the healthiest in the nation, and we have seen a strong rate of recovery in the past 18 months. I'm optimistic about our future.

But we still need to guard against future threats. The debt crisis in Europe could pull the world back into recession. Looming federal budget cuts could cost South Dakota as much as \$50 million a year, starting next year. Drought conditions in much of South Dakota could lead to a difficult year for our farmers and ranchers.

I will continue to be prudent and cautious with your tax dollars so we do not run a deficit. We will not foolishly plan on the best-case scenario. That way, when there is a little extra, we can put it back into our schools and other priorities.

SOUTH DAKOTA EDITORIAL ROUNDUP

The Associated Press

Argus Leader, Sioux Falls: July 10, 2012 License exam centers need review

Less than two years after the state closed 15 driver's licensing bureaus in South Dakota, Minnehaha County commissioners have asked the Department of Public Safety to find a different location for its exam center in the courthouse.

The site has become so busy that lines create a distraction to other business going on in the courthouse, and more cars are clogging up the parking lot. In addition, the exam office is understaffed, something the state is working on correcting.

This latest concern is good reason for the state to look not only at where it hopes to put that Sioux Falls exam site, but also to review whether it has the right locations or need to consider other changes in the state. In October 2009, the state closed 15 exam offices, including four in the general Sioux Falls area. Is traffic from those offices being felt enough in Sioux Falls that it has made the wait time to renew a license unbearable?

The state cited tight budget times as one of the reasons for closing those offices. Essentially, the state could save money with fewer sites. With an improvement in state budgets, is that still a good enough reason to leave those offices closed?

While the state continually evaluates its system, it's time for a broad evaluation of what the state licensing exam centers should look like. Are citizens being served in the best way possible? Are exam stations in the locations? In the process, the Department of Public Safety could look at whether there are ways to streamline any of its processes, especially for the people seeking a simple renewal.

Minnehaha County commissioners have voted to let the public safety department's lease expire the end of September but allow the department to continue to operate there until an alternative location is found. In that process, it seems prudent to make sure

public concerns about lines and lengthy waits are considered and that the entire system gets a big-picture look focused on ways to best serve the state's customers.

Rapid City Journal: July 12, 2012

Commission needed to oversee fights

A 2009 state law that would have created a commission to regulate professional boxing and mixed martial arts events expired July 1 without action — five weeks after a Sturgis man died after a mixed martial arts fight.

State Rep. Dean Schremp, D-Lanry, sponsored the 2009 bill and recently said Dustin Jensen, the 26-year-old Sturgis man who died May 24 after a fight the week before at the Rushmore Plaza Civic Center, would still be alive if the commission had been formed by Govs. Mike Rounds or Dennis Daugaard.

Daugaard disagrees and said a state commission would lead to more fights and more injuries and deaths.

Professional boxing and mixed martial arts are unregulated sports in South Dakota. Schremp said a commission would allow professional boxing events in the state and protect the participants of boxing and mixed martial arts events.

Schremp said Jensen had fought four fights in less than four months and had been knocked out three months before his last fight. A commission would have restricted his participation in events based on his fight history, he said.

"He couldn't have fought," Schremp said. "There are a lot of rules that have to be followed. I don't like rules either, but if you're going to save people's lives, you better have them."

Daugaard said a commission would only lead to more fights, and he doesn't want the state to legitimize or encourage mixed martial arts events.

It's unfair to Jensen's family to speculate that he would still be alive if a commission had existed to regulate mixed martial arts events. However, the purpose of having a commission is to introduce safety concerns to such events

and prevent fighters from entering the ring if they have a questionable fight history.

We disagree with Gov. Daugaard. The question is not whether a state commission regulating professional boxing and mixed martial arts competitions would lead to more events, but ensuring the safe conduct of the events and protecting the fighters when the events are held. And let's be clear about this: the fights will continue to be put on in South Dakota, whether there's a commission or not.

We encourage Rep. Schremp to reintroduce his bill to authorize a boxing and mixed martial arts commission in South Dakota.

The Daily Republic, Mitchell: July 12, 2012

Drought should remind us good times can't last forever

We in South Dakota have been somewhat insulated from the economic woes affecting the rest of the country.

There were certainly impacts here from layoffs during the worst of the recent recession, but our unemployment rate always remained lower than the national average.

Experts have said our strong agricultural sector deserves much of the credit for keeping us afloat. During the recession, our farmers produced bumper crops and benefited from high prices. Our ranchers also enjoyed high cattle prices.

Now comes some disturbing news. After a couple of years of wet conditions that helped strengthen agricultural fortunes, we're suddenly experiencing a drought. A recent report from Bloomberg News in this newspaper said "the worst U.S. drought since Ronald Reagan was president is withering the world's largest corn crop."

References to the 1980s no doubt make some people in South Dakota wince. We remember what farming was like during much of the Reagan era. The word "crisis" is usually used to describe that difficult time in agriculture, as in "the farm crisis of the '80s."

Could we be headed for a downturn

in the ag economy that might spark a downturn in our state's wider economy? We don't know. Circumstances are different today than they were in the 1980s. Farmers and ranchers have better technology and practices, and they have a strong safety net in the form of subsidies and crop insurance. Yet, even as we write this, Congress is considering removing some of those supports in light of the recent strength of the ag economy.

The only thing we know for sure is that the future is unknown, and we'd all be wise to acknowledge that truism and act accordingly.

Agriculture's great run of the past few years has apparently convinced some people that the good times will last forever. With the prices of land, crops and cattle soaring, some people have made large investments based on long-term bets.

Maybe the good times will continue. As we've already said, there's no way to know for sure.

We do know, however, that most farmers and ranchers of the early 1900s had no idea the level of financial and environmental devastation they were soon to encounter during the Dust Bowl and Great Depression. We also know that farmers and ranchers who lived through the 1980s could never have envisioned how wildly profitable some farming and ranching operations are today.

History is a great teacher if we're willing to learn, and South Dakotans have typically been good students. One of the state's primary strengths has always been the prudent and moderate nature of its people, handed down from those Dust Bowl-era forebears. The housing bubble, for example, didn't burst as badly here because our homeowners and banks weren't as overextended as their counterparts in other states. That quality in our people, along with the strength of the ag economy, helped stabilize us during the recent recession.

South Dakotans in the ag sector would be wise to commit themselves anew to those values so they don't overreach during the good times and risk a violent reversal of fortunes later.