

Flat Economy & Zero Inflation Raises Challenges For Governor's Budget Plan

BY BOB MERCER

State Capitol Bureau

PIERRE – With inflation hanging around zero during recent months, an unusual question occurs: Will Gov. Dennis Daugaard ask the Legislature for any increases in state aid to public school, or larger reimbursements to Medicaid providers, or higher pay for state government employees?

And with South Dakota's economy performing almost exactly as expected in generating tax revenue for the state treasury in recent months, there comes another question: Are the current somewhat softer conditions the new normal after the 2009 recession?

On Tuesday afternoon, the governor delivers his sixth set of budget recommendations to the Legislature during a joint assembly in the state House of Representatives chamber.

When he took office in January 2011, Daugaard inherited an economy that was staggering out of a deep slowdown. He called for 10 percent reductions throughout much of state government's budget for the coming fiscal year, and legislators mostly agreed.

The past five years have seen unemployment get back below 4 percent. Non-farm employment cracked past 430,000 for the first time in May, up by some 10,000 in two years.

But Medicaid enrollments remained high heading into this fall, as did the number of youngsters in the children's health insurance program.

The most confounding statistic might be the consumer-price index that is one measure of inflation.

The state Bureau of Finance and Management reports CPI was 0.0 percent in September and 0.1 percent in October, compared to September and October 2014.

It's been at zero or below just one other time in the past 20-plus years. That was in 2009 when it sank past zero during the recession.

The common practice for several decades has been to increase student funding to public schools by the rate of inflation, provided it is no more than 3 percent.

The per-student allocation percentage often became the base for salary increase to state government employees and for increased compensation to Medicaid services providers.

It isn't clear what the governor will recommend with inflation in the zero range – nor what the Legislature will accept.

The 2016 session of the Legislature starts Jan. 12. State law requires the governor to submit his budget recommendations to lawmakers no later than "the first Tuesday after the first Monday of December."

School funding likely will be a separate issue during the 2016, as the Legislature deals separately with the recommendations from the governor's task force.

The panel called for providing \$85 million more to public schools for teacher salaries. That would require a variety of cuts in other parts of the budget, or repealing some large tax exemptions, or raising the state sales tax by one-half of 1 percent.

The state Board of Regents, whose members govern the state universities, asked the governor to recommend additional funding so that tuition wouldn't

have to increase for resident students.

The buy-down would likely be sought for the four public technical institutes as well.

Together the tuition relief could take approximately \$5 million.

The governor might speak about the ongoing talks about South Dakota accepting an expansion of Medicaid services.

He is willing to do it provided the federal government stops requiring South Dakota to pay for portions of outside services to Native Americans that the Indian Health Service is supposed to cover, and the savings to offset the additional cost of the expansion.

Four of the five major sources of state tax and fee revenue produced more than estimated for the months of July through October, according to the state's Legislative Research Council. Those four were sales tax, contractor excise tax, insurance tax and tobacco tax.

South Dakota Lottery was the only of the five that wasn't meeting expectations. But all five were producing more money through October than at the similar point one year ago.

The Bureau of Finance and Management, also known as the governor's budget office, hasn't issued an economic update since Oct. 5 and only five so far in calendar 2015. In calendar 2014, the bureau published nine economic updates.

The October update from BFM showed non-farm income grew 4.2 percent during the second quarter of 2015, compared to the second quarter of 2014. That was slightly behind the national rate of 4.4 percent growth for the same period.

The budget speech is scheduled to start at 1 p.m. CT.

Man Injured By Explosives In Dallas

DALLAS (AP) — Authorities are investigating an incident in which explosives injured a man in his home in the southeastern South Dakota town of Dallas.

A Gregory County sheriff's deputy on Nov. 26 responded to reports of windows being blown out of the home and a man suffering a burn to a hand. The man was taken to a hospital.

The state attorney general's office tells *The Daily Republic* newspaper that the injury resulted from explosives in the man's possession, and that the incident might lead to charges.

1 Person Killed In Nebraska Crash

FRIEND, Neb. (AP) — One person died and several people were injured after a car and a sports utility vehicle collided in southeast Nebraska.

The Lincoln Journal Star reports that the crash happened Thursday in Saline County, west of Friend.

Saline County Sheriff Alan Moore says a 2004 Pontiac Bonneville was pulling onto U.S. Highway 6 off a county road when it was hit by an eastbound 2003 Dodge Durango.

The Bonneville had two passengers, and the driver was the only one in the Durango. One of the Bonneville passengers was flown to a Lincoln hospital and later died.

The crash remains under investigation.

SD Airport Scare Leads To Evacuation

ABERDEEN (AP) — A late-night scare at the Aberdeen Regional Airport led to the facility being evacuated and an incoming plane being held on a taxiway for 1 ½ hours.

Police say a man entered the airport about 10 p.m. Thursday, put a suitcase in a corner and immediately left.

Authorities searched the suitcase and found nothing suspicious or harmful. They later determined that the man had a Friday morning flight and was not a security risk. No charges are anticipated.

Tribe Boundary Dispute Set For Court

PENDER, Neb. (AP) — The U.S. Supreme Court has scheduled oral arguments for a case that will determine whether businesses that sell alcohol in the village of Pender can be regulated by the Omaha Tribe of Nebraska.

The Sioux City Journal reports that oral arguments will take place on Jan. 20 in Washington. At issue is whether the Nebraska village is a part of the Omaha Indian Reservation.

The Omaha Tribe passed an alcohol ordinance in 2006 requiring businesses that sell alcohol on the reservation to buy liquor licenses. The ordinance also placed a 10 percent sales tax on all alcohol purchases.

Owners of seven Pender establishments sued the tribe in U.S. District Court in Omaha, saying they were not subject to the ordinance because Pender is not on the reservation.

Argus Sues SF Over Records Request

SIOUX FALLS (AP) — *Argus Leader Media* is suing the city of Sioux Falls for not releasing details about a \$1 million settlement over construction issues at the Denny Sanford Premier Center.

The lawsuit filed in state court alleges the city violated open record laws by refusing an *Argus Leader Media* request for records surrounding faulty panels installed on the \$117 million event center.

The city and five contractors involved in the event center's construction settled the matter in September after months of negotiations not open to the public. The city released the amount of the settlement but no details such as individual contributions by the contractors.

City Attorney David Pfeifle (FYF'-lee) says the city believes it was within the law in agreeing to a confidential settlement.

SD Agency Denies Bias Against Native Americans

BY REGINA GARCIA CANO

Associated Press

SIOUX FALLS, — South Dakota's Department of Social Services is denying claims of racial discrimination against Native Americans who applied for jobs at its office on the Pine Ridge Indian Reservation.

The state agency says in its response to a lawsuit brought by the Justice Department last month that it was unaware of the race of the applicants because it doesn't request that information from job candidates. It also argues that those who applied specifically for a position as an employment specialist and were rejected did not meet all the job requirements.

Federal officials "cannot establish that any failure to hire was a pretext for race discrimination," attorneys for the state agency wrote in a response filed in federal court in Rapid City. On Thursday the court ordered both parties to meet by Jan. 4 to discuss the case.

The lawsuit argues that over the course of two years beginning in 2010, the state agency posted 18 specialist vacancies for its office on the Pine Ridge Indian Reservation, receiving about 40 percent of its applications from Native Americans. Federal authorities say the department hired 11 people who are white and only one Native American, and removed six other openings

entirely.

"In some cases, DSS passed over a well-qualified Native American candidate in favor of a white applicant with lesser qualifications," the lawsuit states. "In others, DSS closed vacancy announcements rather than select a well-qualified Native American candidate."

The lawsuit cites the case of Cedric Goodman, a Native American who applied for the job of employment specialist in October 2010. Goodman has bachelor's degrees in Human Services and Business Administration.

The Justice Department says in the lawsuit that the Department of Social Services interviewed six applicants, including five Native Ameri-

cans. The lawsuit says none of the six were hired, and when the agency sought applicants again for the same job, it hired a white candidate who "was a 2010 college graduate with limited work experience mostly centered in a retail and office environment."

In its response, the agency denies that the woman hired had limited work experience, and also denies "knowing the candidate's race at the time of her hire."

The lawsuit seeks compensation including back pay for Goodman and other Native American applicants, and asks that Goodman be placed in the next available employment specialist position.



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