



**Legislative
Research
Council**

MINUTES

Special Committee on Appropriations

**2005 Interim
Tuesday, January 10, 2006**

**Legislative Conference Room 1
State Capitol Building
Pierre, South Dakota**

The Special Committee on Appropriations was called to order by Senator Jerry Apa, Co-Chair, at 10:05 a.m., Tuesday, January 10, 2006, in Legislative Conference Room 1 of the State Capitol in Pierre, South Dakota.

A quorum was determined with the following members answering the roll call: Senators Jerry Apa (Co-Chair), Julie Bartling, William Earley (Vice Chair), Jason Gant, Brock Greenfield, Gary Hanson, William Napoli, Orville Smidt, and Duane Sutton; and Representatives H. Paul Dennert, Mary Glenski, Jeffrey Haverly, Ted Klaudt (Vice Chair), Deb Peters, J.E. "Jim" Putnam (Co-Chair), Val Rausch, Larry Tidemann, and Jean Hunhoff.

Staff members present included Aaron Olson, Fiscal Analyst; and Reta Rodman, Legislative Secretary.

A list of persons present during all or part of the meeting is on file with the master minutes.

(NOTE: For sake of continuity, the following minutes are not necessarily in chronological order. Also, all referenced documents are on file with the Master Minutes.)

Opening Remarks

Senator Apa, Chair, welcomed everyone to the special informational appropriations meeting on the state fair. He stated there will be time for questions after Secretary Gabriel and Ms. Susan Hayward have made their presentation.

South Dakota State Fair

Larry Gabriel, Secretary, Department of Agriculture, distributed a handout entitled "South Dakota State Fair August 31 – September 4, 2006" (**Document #1**). Secretary Gabriel introduced Susan Hayward, South Dakota State Fair Manager. **Ms. Hayward** said the primary mission of the South Dakota State Fair is to encourage and promote the agricultural economy of South Dakota and the 4-H programs of this state by providing the people of South Dakota with an entertaining and educational forum for the exhibition of achievements, the display of goods or products, and the open exchange of information about new methodologies, products, services and trade opportunities in agriculture.

She stated that the 4-H program teaches life skills to our youth. The 4-H exhibitors and exhibits have increased from 2004 to approximately 16,000 exhibits. Ms. Hayward said FFA

members participate in livestock shows and age-industry static exhibits. The Animal Nursery is also managed by the FFA.

Ms. Hayward said there is a Junior Point Program which is new to the state fair. This program was designed to give South Dakota youth an opportunity to show their livestock and their hard work, and it allows them to be eligible for scholarship opportunities. Ms. Hayward said the competition is open to any youth in South Dakota 21 years and under that are qualified to compete under their Jr. Breed Association.

Ms. Hayward said the Art and Education Building is dedicated to showcase entries from schools including art, literature, and class projects. She indicated that Secretary Melmer, Department of Education, gave them ideas in what the schools needed, and they have tried to implement those ideas in the state fair program. She also stated that there are seven special educational programs during the state fair. Ms. Hayward said that the state fair provides opportunities for the businesses in South Dakota to present their goods and services. Other special days celebrated during the fair is veteran's day, and the winners of the Governor's & First Lady Awards get the opportunity to present their winning entry to the Governor and First Lady at the fair.

Ms. Hayward told the members of the committee that the fair had sold over 490 spaces to 288 vendors. The net sales from vendors and exhibitors were \$851,245.93. She stated that all of the programs at the state fair are a snapshot of South Dakota.

Secretary Gabriel stated that last year all the performance indicators were going down; however, in 2005 the indicators have turned around and are now going up. He said he would be concerned if they were all still going down. Secretary Gabriel said that the concert indicators are bad, but the camping figures, vendors and concessions, arts, and beer indicators show an increase, and the agriculture indicators are becoming less of a negative. He said the gate sales in 2005 were down from 2004. Secretary Gabriel said the crowds just weren't there whether due to the price of gas or the extreme heat or the grandstand entertainment wasn't to the liking of the public. Gate admissions were still 34% over the 2003 attendance records.

Representative Peters asked the question why the beer sales given in December on the SD 2004 fair analysis showed \$124,563, however, the report today shows only \$24,611. Secretary Gabriel responded that the one figure is gross and the \$24,611 is net.

Representative Putnam asked if possibly the reason that the beer sales could go up and gate admissions down was due to the time limit issue. Secretarial Gabriel responded that the admission gates did not close until 10:00 p.m., and they were criticized for that action. This years gate admissions will shut down earlier, and also the vendors will be closing down earlier also.

Secretary Gabriel stated that a non-fair increase use of the fairgrounds could possibly generate \$153,000 compared to \$127,000 in 2004. He said they have contracted with Dakota

Speedway to have racing during the 2006 state fair which will almost be doubling the revenue from what they were getting. He said he feels this action is a move in the right direction.

Secretary Gabriel stated that the \$994,000 is the amount being requested as an emergency appropriation to complete the year end expenses.. The items making up the above total includes:

- Personal Services \$235,000.00,
- Seasonal Personal \$ 16,000.00,
- Operating Expenses \$143,000.00,
- Transfer from Dept. of Ag \$500,000.00, and
- Non-Cash Expenditures \$100,000.00.

He stated that they did transfer the approved allotted funds of \$500,000 but did not go over that allocated amount.

Representative Glenski questioned if the state fair gets credit for any sales tax it generates, and Secretary Gabriel responded no that it goes into the State General Fund.

Representative Dennert asked if the grandstand is a unit by itself and if the livestock figure included 4-H and open class. Secretary Gabriel responded by stating that yes, the grandstand is a unit by itself, and open class livestock are the only one that premiums are paid. He said 4-H has no revenue.

Secretary Gabriel pointed out that in document #1 under the category Statement of Revenue, Expenses, and Changes in Fund Net Assets that the state fair shows a negative balance of \$764,247.95.

Senator Napoli asked if the grandstand was sold out what revenue would be generated, and Secretary Gabriel responded very little. He stated that everyone must realize that some of the seats are not very good seats, therefore, priced accordingly. In the past, the fair used to charge the same for all seats. Secretary Gabriel stated that the price of seats varies from \$25 to \$40 per ticket. When you hire entertainment for the fair, Secretary Gabriel said that each entertainer has a fee structure whether it is a stated amount per performance or the formula of a guaranteed amount and an additional percentage of revenue over that.

Senator Napoli questioned if the beer sales during concerts is revenue for the fair with the answer being yes. Senator Napoli stated that it is his understanding that you can lose a lot of money and have the ability to make very little money, and he asked if they are changing that concept. Secretary Gabriel stated that changes are being made to make the fair more user friendly. He said that he had taken on more risk than he should have, but he thought it would work. Secretary Gabriel thought that the entertainment during the fair would appeal to all age groups, but that wasn't the case, and changes will be made.

Secretary Gabriel reported that two tracks of land located outside of the fairgrounds had been sold for \$108,584.73 and shown as revenue. Representative Rausch expressed concern with the sale of the land being listed as revenue. Secretary Gabriel stated that the goal was to

keep the money from the sale of the land in accounting to be used for repair of structures located on the fairgrounds. He reiterated that the fair did not approach individuals to buy land, but had been approached by the individuals who presently leased that land and wanted to put buildings on that property but not on leased property. Senator Apa asked if the land had been appraised and put out for competitive bid, and Secretary Gabriel reported that they had followed the letter of the law when the department sold the land.

Representative Haverly stated that since the money received from the land sale cannot be used for those improvements does he see any improvements as an immediate problem. Secretary Gabriel stated that there is some water lines that have to be replaced, and the City of Huron has committed to work with the fair at a very low cost with the only expenses being supplies. He said that he does not foresee any major expenditures concerning the structures located on the fairgrounds at this time.

Secretary Gabriel said that the cost of workers compensation insurance is tremendous with the fair having the highest workers compensation rate for all state agencies. The rate is figured on an individual having died in an accident on the fairgrounds, and the other individual still alive and having medical expenses being paid. To date \$219,000 is the cost to that individual, and those expenses will not go away even if there isn't a state fair. Secretary Gabriel said that in that case the people of South Dakota will still be responsible for the individual's medical expenses.

The hired consultant reported that the fair is short in receiving revenue from non-fair activities and not marketing the fairgrounds to its potential. Secretary Gabriel said that the cost that so many people don't look at is keeping the state fair office going twelve months of the year.

Representative Tidemann asked where the non-fair revenue and expenses, and the 4-H horse show and beef revenue and expenses were listed. Secretary Gabriel stated that he would get back to him on that question with a thorough breakdown.

Representative Tidemann also asked if there would be more land to sell, and Secretary Gabriel responded that he was not aware of any land. Secretary Gabriel reported that everything north of third street has conditional language (reversion clause) in the deed because it was gifted. He said he preferred not to delve into that subject of conditional language as it was a legal issue. Secretary Gabriel distributed a map of the fairgrounds **(Document #2)**.

Representative Putnam announced that a subgroup has been appointed and will be reviewing the state fair issues. The members are: Senator Napoli – chair, Representative Tidemann – vice chair, Senator Gary Hanson, and Representative Dennert.

Senator Early stated that he, along with Senators Bartling and Smidt, were on the original subgroup two years ago when it was agreed to give the state fair three years, and stated that the Legislature is committed to another year. At the time it was agreed to give three years, they knew risks had to be taken, and now they should stand behind the deal that was made.

Secretary Gabriel reported that there are changes being made for the year 2006 state fair. Some of those changes include:

- Five day fair rather than 8 days;
- Vendors closing their booths earlier than last year;
- Camping packages which includes buying 4 adult passes for the entire fair for a total of \$60.00;
- Dakota Speedway racing;
- Closing the admission gates earlier than last year;
- Doing away with the \$1.00 day;
- Cutting back on the free stages to \$75,000; and
- No high school rodeo finals but still have the SDRF finals which netted \$8300 in revenue.

He reported that the overhead and common costs will show up reduced because of having only a five day fair, and the seasonal employees expenditures will show a decrease.

Secretary Gabriel said that the City of Huron committed to giving the fair \$25,000 on January 10th, 2006, and the races will generate \$50,000 along with receiving payment to clean up the grandstands, electricity expense, and the beer sales during the races.

Senator Apa asked if the state fair was abandoned, would everything north of third street revert back to the railroad. Secretary Gabriel responded by stating that it is not predictable, and he is unable to answer that question. Senator Apa pointed out that he had asked Ken Anderson earlier this year to make the map that was distributed, and he has a report that contains 110 pages. This report is available upon request. He stated that even if there is no longer a state fair the buildings will still need to be kept up.

Representative Putnam asked the secretary to produce a spreadsheet to the subgroup indicating the fixed costs and also have the fiscal person show the difference owned and what you can write off as a citizen and what you can't write off. The fixed costs must be shown. Secretary Gabriel explained that no depreciation can be shown on the fairgrounds buildings as in the private sector.

Senator Apa stated that this format was a help to the members to look at, and going forward to use that same format with the line by line categories.

Representative Peters asked if the members could have a copy of the feasibility report, and Secretary Gabriel said the report focused on non-fair activities due to the money available. However, hoped to have a study done on the fair activities in the future.

Adjourn

SENATOR EARLY MOVED, SECONDED BY REPRESENTATIVE PETERS, TO AJOURN THE MEETING. MOTION PREVAILED UNANIMOUSLY ON A VOICE VOTE.

Meeting adjourned at 11:45 a.m.



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