



SouthDakota

Legislative
Research
Council

MINUTES

Joint Interim

Committee on Appropriations

Second Meeting
2014 Interim
June 17, 2014

LCR 1 & 2
State Capitol Building
Pierre, South Dakota

Tuesday, June 17, 2014

The second meeting of the Joint Interim Committee on Appropriations for 2014 was called to order by the lead Co-Chair, **Senator Deb Peters**, at 8:00 a.m. (CDT) in Legislative Conference Rooms 1 & 2 of the State Capitol, Pierre, South Dakota.

A quorum was determined with the following members answering the roll call: Senator Deb Peters, Co-Chair (via telephone); Representative Fred Romkema, Co-Chair (via telephone); Senators Phyllis Heineman (via telephone), Tom Jones (via telephone), Al Novstrup (via telephone), Alan Solano (via telephone), Larry Tidemann, Bill Van Gerpen (via telephone), Jim White; and Representatives Lance Carson (via telephone), Dan Dryden, Don Hagggar (via telephone), Spence Hawley (via telephone), Mark Mickelson (via telephone), Dick Werner, and Susan Wismer. Excused were Senator Billie Sutton and Representative Jim Bolin.

Staff members present included Annie Mehlhaff, Chief Fiscal Analyst; Aaron Olson, Principal Fiscal Analyst (via telephone); Denice Houlette, Senior Fiscal Analyst; Jason Simmons, Senior Fiscal Analyst; Stephanie Gruba, Fiscal Analyst; and Cindy Tryon, Senior Secretary.

NOTE: For purpose of continuity, the following minutes are not necessarily in chronological order. Also, all referenced documents distributed at the meeting are attached to the original minutes on file in the Legislative Research Council office. This meeting was web cast live. The archived web cast is available at the LRC web site at <http://legis.sd.gov>.

Approval of Minutes

A MOTION WAS MADE BY SENATOR TIDEMANN, SECONDED BY REPRESENTATIVE MICKELSON, TO APPROVE THE MINUTES OF MARCH 31, 2014. Motion prevailed on a voice vote.

Letter of Intent

(The final version of the Letter of Intent is attached to these minutes.)

Draft Letter of Intent – G (3)

2014 Legislative Session

Legislative Act: SB53

Draft Date: 3/26/2014 6/10/2014

Department/Agency: Department of Environment and Natural Resources

Requesting Legislators: Senator Peters

Lewis and Clark Regional Water System

The 2014 South Dakota Legislature approved a special appropriation for \$1,000,000 in general funds to the South Dakota Board of Water and Natural Resources through SB 53.

This Letter of Intent supplements that appropriation with a specific policy guideline concerning the use of such funds.

It is the intent of the Interim Joint Committee on Appropriations that the funds be distributed to the Lewis and Clark Regional Water System ~~as an advance on federal funding, not as a replacement of federal funding as a zero interest reimbursable grant to be used as an advance on anticipated federal funding.~~ The grant shall only be used for expenses related to the South Dakota portion of the Lewis and Clark Regional Water System. It is also the intent of the Committee that upon reimbursement from the Lewis and Clark Regional Water System, the Board of Water and Natural Resources shall deposit the money in the State General Fund. Therefore, the Committee directs the Board of Water and Natural Resources to distribute the funds based upon the expectation that the federal government will honor its commitment to provide funding, subsequently allowing the Lewis and Clark Regional Water System to ~~repay~~ reimburse the money grant.

While this Letter of Intent does not have the force of statutory law, it rests solidly on a longstanding tradition of Legislature-Executive Branch relationships in South Dakota and it will be used by the Joint Committee as one basis for the fiscal oversight of the Executive Branch and its continued funding.

Mr. Troy Larson, Executive Director, Lewis and Clark Regional Water System, joined the meeting via telephone to discuss this Letter of Intent.

Ms. Annie Mehlhaff, Chief Fiscal Analyst, explained that the original draft of this letter was presented to the committee at the March meeting. At that time, the committee requested that the 0% interest be specified and that this funding can only be used for the Lewis and Clark water project in South Dakota. She said that the letter was originally written with the intent of the appropriation being a loan, but the Bureau of Finance and Management said that would mean the loan could be on the financial statements for years recorded as a receivable. That issue was addressed by making the appropriation a grant with the understanding that a grant can be repaid similar to a loan.

Senator Phyllis Heineman asked where the State will be in line of repayment when the Federal dollars are released. **Ms. Stephanie Gruba, Fiscal Analyst,** said that Mr. Larson and the Department of Environment and Natural Resources are drafting a grant agreement, and repayment will be addressed in that agreement.

Mr. Larson further explained that there will be an additional \$20-25 million of work to be done once the nine remaining members are connected to the system. However, Lewis and Clark Regional Water System will postpone this additional work. The State will be repaid once all members are connected, but we do not know how long it will take to get to that point.

Mr. Larson said that the funds allocated through this Letter of Intent will be used for the Madison service line. The Lewis and Clark Rural Water Project will be requesting an additional appropriation next year for other work that needs to be done in South Dakota. At the time of that request, the Joint Committee on Appropriations will be given a list of items regarding this project that still need funding and JAC will be asked to help with any or all of those items.

Senator Deb Peters said that the state cannot wait any longer for the Federal Government to live up to their obligation; we need to make sure our citizens have good quality water.

A MOTION WAS MADE BY REPRESENTATIVE CARSON, SECONDED BY SENATOR TIDEMANN, TO APPROVE THE LETTER OF INTENT – G(3), REGARDING SB53 –THE LEWIS AND CLARK

REGIONAL WATER SYSTEM. The motion prevailed on a roll call vote with 14 members voting AYE; 2 members voting NAY; 2 members EXCUSED. Those voting AYE: Heineman, Novstrup, Solano, Tidemann, Van Gerpen, White, Carson, Dryden, Hagggar, Hawley, Mickelson, Werner, Romkema, Peters. Those voting NAY: Jones, Wismer. Those EXCUSED: Sutton, Bolin.

Proration of Interest

Commissioner Jason Dilges, Bureau of Finance and Management, distributed the "Interim Report" to the committee (**Document #1**). The full version of this document can be found on the BFM website at <http://bfm.sd.gov/InterimReports/20140617InterimReport.pdf>. Pages 1-15 of the document contain the report on the proration of investment income earned in FY2013.

A MOTION WAS MADE BY SENATOR TIDEMANN, SECONDED BY REPRESENTATIVE CARSON, TO APPROVE THE PRORATION OF INTEREST REPORT AS PRESENTED BY THE BUREAU OF FINANCE AND MANAGEMENT. The motion prevailed on a roll call vote with 16 members voting AYE; 2 members EXCUSED. Those voting AYE: Heineman, Jones, Novstrup, Solano, Tidemann, Van Gerpen, White, Carson, Dryden, Hagggar, Hawley, Mickelson, Werner, Wismer, Romkema, Peters. Those EXCUSED: Sutton, Bolin.

Summary of Budget Transfers

Commissioner Dilges updated the committee on budget transfers. The full update is on pages 16-19 of the "Interim Report" (**Document #1**) found on the BFM website on the same page listed above. The following is taken directly from that report:

South Dakota Codified Law 4-8A-8 requires the Bureau of Finance and Management to submit an informational report detailing all budget transfers to the Interim Joint Committee on Appropriations. For the past four years BFM has been providing automated email notifications to the JCA members and LRC staff as soon as transfer authorizations have been finalized, making the information presented in the interim report redundant and dated.

During the 2014 Legislative Session, SB 84 was introduced by Senator Peters and passed by the Legislature. SB 84 amends SDCL 4-8A-8 to no longer require the informational report and codifies the requirement for BFM to transmit the budget authorization immediately after the budget transfer is approved. To comply with this statute, BFM will continue to submit an authorization notice to the Interim Joint Committee on Appropriations upon any transfer of moneys authorized by this section.

As a result of this law change, the 2014 Interim Report does not contain approved budget transfers. BFM will continue to provide notifications to the Joint Committee on Appropriations when they are approved, as we have in the past. Additionally, to further efforts for government transparency, BFM will post all transfers with this detail online. This step will make budget transfers easily viewable for the public. BFM will post transfers at bfm.sd.gov and link to them from Open.SD.gov. The transfer data will be real-time, and will include transfers dating back to 2009.

BFM will continue to maintain a physical record of all authorizations of transfers and will also continue to make them available for public inspection.

Commissioner Dilges said that the transfers now have much more detail and will be more timely. The transfers will be posted on the BFM website and that information can be viewed at any time.

Senator Heineman said that she would like to see the transfer of any unfilled FTE vacancies. She said that it would also be interesting to be kept up to date on the Bureau of Telecommunications and the reduction in their federal grants.

Representative Susan Wismer asked about the large amount of the Department of Corrections transfer and why that was not done as a base transfer. She added that these are funds coming from Juvenile Corrections and being directed to other areas. Representative Wismer asked that the committee be kept informed regarding that 4.2 million dollars.

Commissioner Dilges said that the transfer Representative Wismer is referring to was effective May 20, 2014, which was past the deadline for base transfers for that year. He said that a lot of work is being done in the Juvenile Corrections area and a base transfer will occur in the future.

Mr. Alex Hansen, Bureau of Finance and Management, said that they are working on a base transfer with the Department of Corrections which will realign things going forward.

Fiscal Year-End Close

Commissioner Dilges reported that the end of the fiscal year is coming up quickly. He said that they have completed the central payroll for the year and are finalizing the regental payroll at this time.

The Commissioner said that there has been some improvement in the state employee health system and those improvements are expected to continue.

He also reported that BFM expects some reversions and that the numbers on the revenue side are coming in higher than expected. If all that holds true, BFM does expect about a \$10 million surplus; that includes both reversions and any revenue surplus.

Review Future Meeting Dates

The next meeting of the Interim Joint Committee on Appropriations will be held on July 28, 2014, in Pierre.

West River Tour will be held October 9-10, 2014. The tour schedule is still being developed, but some of the sites under consideration are the Veterans' Home in Hot Springs, two different Game, Fish and Parks projects, Meade and Pennington County Courthouse projects, the new Public Safety Building in Rapid City, the Sanford Underground Lab, and more. Representative Wismer asked that one of the West River juvenile corrections facilities be added to the list.

The Governor's Budget Address will be December 2, 2014, and the Joint Committee on Appropriations will meet sometime either that day or the following day.

Adjourn

REPRESENTATIVE CARSON MOVED, SECONDED BY REPRESENTATIVE DRYDEN, TO ADJOURN. The motion prevailed unanimously on a voice vote.

The Committee adjourned at 8:40 a.m.



Legislative Research Council

Sen. Ryan Maher, Chair
Rep. Lance Carson, Vice Chair

Sue Cichos, Deputy Director
Doug Decker, Code Counsel

June 19, 2014

Mr. Steven Pirner, Secretary
Department of Environment and Natural Resources
Joe Foss Building
Pierre, SD 57501

Letter of Intent Regarding Legislation Approved in the 2014 Session

Dear Mr. Pirner:

The 2014 South Dakota Legislature approved a special appropriation for \$1,000,000 in general funds to the South Dakota Board of Water and Natural Resources through SB 53. This Letter of Intent supplements that appropriation with a specific policy guideline concerning the use of such funds.

It is the intent of the Interim Joint Committee on Appropriations that the funds be distributed to the Lewis and Clark Regional Water System as a zero interest reimbursable grant to be used as an advance on anticipated federal funding. The grant shall only be used for expenses related to the South Dakota portion of the Lewis and Clark Regional Water System. It is also the intent of the Committee that upon reimbursement from the Lewis and Clark Regional Water System, the Board of Water and Natural Resources shall deposit the money in the State General Fund. Therefore, the Committee directs the Board of Water and Natural Resources to distribute the funds based upon the expectation that the federal government will honor its commitment to provide funding, subsequently allowing the Lewis and Clark Regional Water System to reimburse the grant.

While this Letter of Intent does not have the force of statutory law, it rests solidly on a long-standing tradition of Legislature-Executive Branch relationships in South Dakota and it will be used by the Joint Committee as one basis for the fiscal oversight of the Executive Branch and its continued funding.

Thank you for your cooperation.



Senator Deb Peters
Co-Chair, Interim Joint Appropriations



Representative Fred Romkema
Co-Chair, Interim Joint Appropriations

cc: Marty Guindon, Auditor General
Jason Dilges, Commissioner, Bureau of Finance and Management
Troy Larson, Executive Director, Lewis and Clark Regional Water System