



SouthDakota

Legislative Research Council

MINUTES

Joint Interim

Committee on Appropriations

Representative Justin Cronin, Chair
Senator Deb Peters, Vice Chair

First Meeting
2015 Interim
March 30, 2015

LCR 1 & 2
State Capitol Building
Pierre, South Dakota

The first meeting of the Joint Interim Committee on Appropriations for 2015 was called to order by the Chair, **Representative Justin Cronin**, at 1:35 p.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: Representative Justin Cronin, Chair; Senator Deb Peters, Vice Chair; Representatives David Anderson, Dan Dryden, Jean Hunhoff, Alex Jensen, Jeffrey Partridge, and Fred Romkema; Senators Teri Haverly, David Omdahl, Scott Parsley, Larry Tidemann, Bill Van Gerpen, and Jim White. Excused were Representatives Shawn Bordeaux and Ray Ring and Senators Angie Buhl-O'Donnell and Phyllis Heineman.

Staff members present included Annie Mehlhaff, Chief Fiscal Analyst; Aaron Olson, Principal Fiscal Analyst; 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>.

Wrap Up Documents

Ms. Annie Mehlhaff, Chief Fiscal Analyst, announced that the wrap up documents would be bound together and sent to all members of the Joint Appropriations Committee. These wrap up documents are also available on the Appropriations' One Note program.

Letters of Intent

Draft Letter of Intent – A
2015 Legislative Session
Legislative Act: HB1191
Department/Agency: Department of Education

Jobs for Americas Graduates (JAG) Program

HB1191 provided \$250,000 in general funds to the Department of Education to allow additional school districts to participate in the JAG program. It is the intent of the Joint Committee on Appropriations that not more than 20% of the funding made available through this Act may be used to fund administrative costs of the program. For the purposes of this Letter of Intent, this restriction applies to all levels of

program administration, including the State Department of Education, local school district administration, and services provided by the State JAG coordinator.

Ms. Mehlhaff explained that *LOI – A* was requested by Representative Elizabeth May, as the Representative would like no more than 20% of the state funding budgeted for the JAG program to be used for administrative costs. **Senator Scott Parsley** explained that Representative May had heard the program was hiring another coordinator and she was concerned about the additional administrative costs.

Dr. Melody Schopp, Secretary of the Department of Education, said that the Department is not intending to add another coordinator but had proposed to increase the salary of the current coordinator due to an increase in the number of school districts taking part in the program. Dr. Schopp asked if the state fee paid by the Department for the JAG program is to be considered part of the administrative costs. **Senator Deb Peters** said that the fees are part of the administrative costs.

A MOTION WAS MADE BY SENATOR WHITE, SECONDED BY REPRESENTATIVE JENSEN, TO ADOPT LETTER OF INTENT A REGARDING THE JOBS FOR AMERICAS GRADUATES PROGRAM. The motion prevailed on a roll call vote with 14 voting AYE, 4 EXCUSED. Those voting AYE: Anderson, Dryden, Hunhoff, Jensen, Partridge, Romkema, Haverly, Omdahl, Parsley, Tidemann, Van Gerpen, White, Peters, Cronin. Those EXCUSED: Bordeaux, Ring, Buhl-O'Donnell, and Heineman.

Draft Letter of Intent – B
2015 Legislative Session

Legislative Act: SB55

Department/Agency: Secretary of State

Computer Systems Upgrades – One-Time Funding

The FY2015 Supplemental Appropriations Act (SB55) includes an appropriation of \$275,000 in general funds for the Office of the Secretary of State. It is the intent of the Interim Joint Committee on Appropriations that the one-time funding be limited to computer systems upgrades. It is further the intent of the Committee that the Secretary of State provides the Committee with a detailed accounting of the additional funds by December 1, 2015. The information should include descriptions of the services provided, the costs incurred, and funds remaining.

A MOTION WAS MADE BY SENATOR TIDEMANN, SECONDED BY REPRESENTATIVE DRYDEN, TO ADOPT LETTER OF INTENT B REGARDING THE COMPUTER SYSTEMS UPGRADE FOR THE OFFICE OF THE SECRETARY OF STATE. The motion prevailed on a roll call vote with 14 voting AYE, 4 EXCUSED. Those voting AYE: Anderson, Dryden, Hunhoff, Jensen, Partridge, Romkema, Haverly, Omdahl, Parsley, Tidemann, Van Gerpen, White, Peters, Cronin. Those EXCUSED: Bordeaux, Ring, Buhl-O'Donnell, and Heineman.

Draft Letter of Intent – C-1
2015 Legislative Session
Legislative Act: SB55
Department/Agency: Post Secondary Technical Institutes

Reversion Funds Available

The FY2015 Supplemental Appropriations Act (SB55) includes a decrease of \$57,341 in general funds available to the Technical Institutes in FY15. The Governor had originally recommended a decrease in the amount of \$1,057,341 due to lower-than-budgeted student enrolled in the current fiscal year. The Committee recognizes there will be approximately one million dollars in general funds available due to the lower enrollment numbers, and issues this Letter of Intent in regards to those funds.

It is the intent of the Interim Joint Committee on Appropriations that the one-time funding be used to enhance programs that address high-need workforce areas. The funding is to be distributed equally among the four technical institutes.

The postsecondary technical institutes must provide a report by May 1, 2015 detailing the planned program enhancements and the high-need workforce areas to be addressed. On December 15, 2015 the postsecondary technical institutes must provide an accounting of the expenditure of the funds detailing the program enhancements made and the high-need workforce area addressed.

It is further the intent of the Committee that the Technical Institutes be available to provide their five-year strategic and financial plans to the Committee at a 2015 interim meeting (date to be determined).

Draft Letter of Intent – C-2
2015 Legislative Session
Legislative Act: SB55
Department/Agency: Post Secondary Technical Institutes

Reversion Funds Available

The FY2015 Supplemental Appropriations Act (SB55) includes a decrease of \$57,341 in general funds available to the postsecondary technical institutes in FY15. The Governor had originally recommended a decrease in the amount of \$1,057,341 due to lower-than-budgeted student enrolled in the current fiscal year. The Committee recognizes there will be approximately one million dollars in general funds available due to the lower enrollment numbers, and issues this Letter of Intent in regards to those funds.

It is the intent of the Interim Joint Committee on Appropriations that the one-time funding be used to enhance programs that address high-need workforce areas and be distributed in the same manner in which the formula funds will be distributed to the institutes for FY2016. Therefore, the Committee directs the Secretary of the Department of Education to distribute the funds based on the funding formula per administrative rule 24:10:42:28 in effect for FY2016 to the postsecondary technical institutes.

The postsecondary technical institutes must provide a report by May 1, 2015 detailing the planned program enhancements and the high-need workforce areas to be addressed. On December 15, 2015

the postsecondary technical institutes must provide an accounting of the expenditure of the funds detailing the program enhancements made and the high-need workforce area addressed.

It is further the intent of the Committee that the postsecondary technical institutes be available to provide their five-year strategic and financial plans to the Committee at a 2015 interim meeting (date to be determined).

Ms. Mehlhaff explained the difference between LOI C-1 and LOI C-2 being that C-1 distributes funding equally among the four technical institutes while C-2 would distribute the funds in the same manner in which the formula funds are distributed to the institutes for FY2016.

A MOTION WAS MADE BY SENATOR WHITE, SECONDED BY REPRESENTATIVE JENSEN, TO ADOPT LETTER OF INTENT C-2 REGARDING THE REVERSION FUNDS AVAILABLE FOR POST SECONDARY TECHNICAL INSTITUTES. The motion prevailed on a roll call vote with 14 voting AYE, 4 EXCUSED. Those voting AYE: Anderson, Dryden, Hunhoff, Jensen, Partridge, Romkema, Haverly, Omdahl, Parsley, Tidemann, Van Gerpen, White, Peters, Cronin. Those EXCUSED: Bordeaux, Ring, Buhl-O'Donnell, and Heineman.

***Draft Letter of Intent – D
2015 Legislative Session***

Legislative Act: HB1208

Draft Date: 3/27/2015

Department/Agency: Departments of Social Services, Human Services, Corrections, Health, Education, and Veterans Affairs, and the Unified Judicial System

Requesting Legislator(s): Senator Peters

FY16 Discretionary Provider Inflationary Base Rate Increase

The 2015 South Dakota Legislature approved discretionary FY16 rate increases to providers in the amounts of 1.65%, 2.20%, or 2.50% depending on services provided in amendment 1208nw. 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 in FY16, providers are to realize a discretionary base rate increase in conformity with Attachment 1 of this document which was distributed by the Joint Appropriations Committee on March 13, 2015.

A MOTION WAS MADE BY SENATOR TIDEMANN, SECONDED BY SENATOR OMDAHL, TO ADOPT LETTER OF INTENT D REGARDING THE FY16 DISCRETIONARY PROVIDER INFLATIONARY BASE RATE INCREASE FOR DEPARTMENTS OF SOCIAL SERVICES, HUMAN SERVICES, CORRECTIONS, HEALTH, EDUCATION, VETERANS AFFAIRS, AND THE UNIFIED JUDICIAL SYSTEM. The motion prevailed on a roll call vote with 14 voting AYE, 4 EXCUSED. Those voting AYE: Anderson, Dryden, Hunhoff, Jensen, Partridge, Romkema, Haverly, Omdahl, Parsley, Tidemann, Van Gerpen, White, Peters, Cronin. Those EXCUSED: Bordeaux, Ring, Buhl-O'Donnell, and Heineman.

Draft Letter of Intent – E
2015 Legislative Session
Legislative Act: HB1185, HB1186, and HB1187
Department/Agency: Bureau of Administration

Captive Insurance

The 2015 South Dakota Legislature approved \$4,000,000 in general funds for the creation of a property and casualty insurance cell, and \$2,000,000 in general funds to establish a captive insurance cell to fund liability and directors and officers insurance. The Legislature also approved the set aside of \$2,500,000 within the Science and Technology Authority indemnification fund to create a captive insurance company for the SD Science and Technology Authority.

In addition, the General Appropriations Act for FY 2016 provided \$592,982 in general funds, \$385,944 in federal fund authority, and \$751,224 in other fund authority to the BFM Captive Insurance Pool to be distributed to agencies for captive insurance premiums.

It is the intent of the Interim Joint Committee on Appropriations that the Bureau of Administration and the Bureau of Finance and Management be available to report on the status of the captive insurance cells at a 2015 interim meeting (date to be determined).

A MOTION WAS MADE BY SENATOR PARSLEY, SECONDED BY REPRESENTATIVE JENSEN, TO AMEND PROPOSED LOI E BY REMOVING THE “A” AND ADDING AN “S” TO THE WORD MEETING AND TO THE WORD DATE IN THE LAST SENTENCE OF THE LETTER. The motion prevailed on a voice vote.

A MOTION WAS MADE BY SENATOR PETERS, SECONDED BY REPRESENTATIVE DRYDEN, TO ADOPT LOI E AS AMENDED. The motion prevailed on a roll call vote with 14 voting AYE, 4 EXCUSED. Those voting AYE: Anderson, Dryden, Hunhoff, Jensen, Partridge, Romkema, Haverly, Omdahl, Parsley, Tidemann, Van Gerpen, White, Peters, Cronin. Those EXCUSED: Bordeaux, Ring, Buhl-O'Donnell, and Heineman.

Draft Letter of Intent – F-2
2015 Legislative Session
Executive Reorganization
Department/Agency: Departments of Education and Tourism

Executive Reorganization

On January 20, 2015, Executive Reorganization Order 2015-01 was submitted to the 90th Legislative Assembly. The order directed that the Office of History and South Dakota State Historical Society be combined and together with the Cultural Heritage Center, be transferred to the Department of Education.

It is the intent of the Interim Joint Committee on Appropriations that all state general funds, federal grant funds, and any other funds, including all special taxes, available or appropriated to the Office of History, the South Dakota State Historical Society, and the Cultural Heritage Center prior to the executive

reorganization remain appropriated and available to the Office of History, the South Dakota State Historical Society and the Cultural Heritage Center after the reorganization.

The Committee requests the Bureau of Finance and Management to certify that all of the appropriate funds were transferred and/or made available to the affected offices after the reorganization.

A MOTION WAS MADE BY SENATOR TIDEMANN, SECONDED BY REPRESENTATIVE DRYDEN, TO ADOPT LOI F-2. The motion prevailed on a roll call vote with 14 voting AYE, 4 EXCUSED. Those voting AYE: Anderson, Dryden, Hunhoff, Jensen, Partridge, Romkema, Haverly, Omdahl, Parsley, Tidemann, Van Gerpen, White, Peters, Cronin. Those EXCUSED: Bordeaux, Ring, Buhl-O'Donnell, and Heineman.

Draft Letter of Intent – G2

2015 Legislative Session

Legislative Act: HB1208

Department/Agency: Department of Veterans Affairs

Requesting Legislator(s): Senator Van Gerpen

Funding for an honor guard detail for deceased veterans

The 2015 South Dakota Legislature approved up to and not exceeding \$45,000 in other fund authority to the Department of Veterans Affairs for the purpose of providing funding to reimburse local chapters of a congressionally chartered veterans organization for furnishing honor guard detail at the funeral of deceased veterans.

It is the intent of the Interim Joint Committee on Appropriations that the state will pay a sum not to exceed fifty dollars to the local chapter of a congressionally chartered veterans organization, each time the local chapter provides an honor guard detail at the funeral of a deceased veteran.

Claims will be based on the certification of the funeral director and the congressionally chartered veterans organization honor guard commander or leader.

The following three conditions must be met and certified prior to the reimbursement:

- 1. The honor guard services were performed on July 1, 2015 or after;*
- 2. The services were conducted according to the congressionally chartered veterans' organization honor guard policies and procedures; and*
- 3. The local chapter of the congressionally chartered veterans organization honor guard was not reimbursed from any other funding source for the same services provided.*

All expenses must be approved and certified by the Secretary of the Department of Veterans Affairs (DVA) on forms provided by the DVA. The forms must be forwarded to the DVA and the DVA will request quarterly reimbursement claims from the State Auditor's Office.

In addition, it is the intent of the Joint Committee on Appropriations that the Department of Veterans Affairs will use funds from the State Veterans Home Operating Fund which will be back-filled during the 2016 Legislative Session. The Joint Committee on Appropriations will consider ongoing funds needed for FY2017 during the 2016 Legislative Session.

The Department of Veterans Affairs must provide quarterly status reports to the Joint Committee on Appropriations to update the committee on the following: 1) the number of funerals reimbursed by the Department of Defense, 2) the number of funerals reimbursed through the procedures outlined in this Letter of Intent, and 3) the number of funerals where the organization did not request a reimbursement for the honor guard service.

Senator Bill Van Gerpen explained that a bill providing funding for honor guard detail taking part in veterans' funerals was defeated during session with the intention of including the funding in the general bill through an amendment. An amendment providing \$45,000 in other fund spending authority for honor guard detail was approved by the Committee on March 13, 2015. The Department of Veterans Affairs was encouraged to match this funding but they are unable to find that money in their budget. The second condition in the draft letter needed to be changed in order to allow the \$50 reimbursement for the honor guard detail that the Department of Defense will not fund. If left as was stated in the original document, no organizations would receive the \$50 reimbursement.

Senator Larry Tidemann said that this LOI money spent by the Department of Veterans Affairs for the honor guard detail can be backfilled with general fund dollars next session. Senator Tidemann said that he agreed with Senator Van Gerpen that condition 2 needs to be removed or amended.

Senator Scott Parsley explained that if the local honor guard provides the service for the funeral but no one from the branch of service of the deceased is available to serve in that honor guard, the Department of Defense will not pay the \$50 fee. It is when this occurs that the state funding would become available to pay the honor guard the \$50. To make sure this intent is followed, the second condition in the letter needs to be amended.

A MOTION WAS MADE BY REPRESENTATIVE ANDERSON, SECONDED BY SENATOR PETERS, TO AMEND LOI G2 BY STRIKING #2 OF THE CONDITIONS AND INSERTING "2. THE CONGRESSIONALLY CHARTERED VETERANS ORGANIZATION HONOR GUARD POLICIES AND PROCEDURES WERE NOT ABLE TO BE MET DUE TO AN ABSENCE OF A REPRESENTATIVE OF THE BRANCH OF THE SERVICE OF THE DECEASED; AND". The motion prevailed on a voice vote.

A MOTION WAS MADE BY SENATOR TIDEMANN, SECONDED BY SENATOR WHITE, TO ADOPT LOI G2 AS AMENDED. The motion prevailed on a roll call vote with 13 voting AYE, one voting NAY, and 4 EXCUSED. Those voting AYE: Anderson, Dryden, Hunhoff, Jensen, Romkema, Haverly, Omdahl, Parsley, Tidemann, Van Gerpen, White, Peters, Cronin. Voting NAY: Partridge. Those EXCUSED: Bordeaux, Ring, Buhl-O'Donnell, and Heineman.

***Draft Letter of Intent – H
2015 Legislative Session
Legislative Act: HB1208***

Department/Agency: Bureau of Human Resources and Bureau of Finance and Management

Salary Policy

The Governor originally recommended the following for the FY 2016 State Employee Compensation Plan: 2.0% market adjustment for all permanent state employees; 0% to 6.6% market adjustment for career band employees; 2.5% movement toward market value for general pay structure employees; 0% to 4.5% performance-based adjustment for career band employees; and 0% increase for health insurance. The Committee approved the salary policy as recommended, with the exception of a 2.0% movement toward market value for general pay structure employees, replacing the 2.5% recommended by the Governor.

It is the intent of the Interim Joint Committee on Appropriations that the salary policy be applied as discussed and amended by the Joint Committee on Appropriations and approved by the 90th Legislative Assembly.

A MOTION WAS MADE BY SENATOR HAVERLY, SECONDED BY REPRESENTATIVE JENSEN, TO ADOPT LOI H. The motion prevailed on a roll call vote with 14 voting AYE, 4 EXCUSED. Those voting AYE: Anderson, Dryden, Hunhoff, Jensen, Partridge, Romkema, Haverly, Omdahl, Parsley, Tidemann, Van Gerpen, White, Peters, Cronin. Those EXCUSED: Bordeaux, Ring, Buhl-O'Donnell, and Heineman.

Draft Letter of Intent – I

2015 Legislative Session

Legislative Act: HB1192

Department/Agency: BFM, SD Community Foundation

Conservation Fund

HB1192 provided \$350,000 in general funds to the Bureau of Finance and Management to provide a grant to the Conservation Fund held with the South Dakota Community Foundation. It is the intent of the Interim Joint Committee on Appropriations that these funds are to be held separately from the endowment fund and are to be used to support operational costs. The funds shall also be used to match private contributions and donations received by the Conservation Fund.

Furthermore, it is the intent of the Committee that the bylaws governing the Conservation Fund be updated to reflect the funding structure outlined in HB 1192. The Board of Directors shall provide the updated bylaws to the Committee as soon as possible. The Board of Directors shall also provide documentation of expenditures of the funds provided by HB 1192 to the Committee at a 2015 interim meeting (date to be determined).

A MOTION WAS MADE BY SENATOR TIDEMANN, SECONDED BY SENATOR PETERS, TO ADOPT LOI I.

A SUBSTITUTE MOTION WAS MADE BY SENATOR PETERS, SECONDED BY REPRESENTATIVE JENSEN, TO AMEND LOI I BY STRIKING *OPERATIONAL COSTS* FROM THE THIRD SENTENCE AND INSERTING *PROGRAM GRANTS*. The substitute motion prevailed on a voice vote.

A MOTION WAS MADE BY SENATOR OMDAHL, SECONDED BY SENATOR TIDEMANN, TO ADOPT LOI I AS AMENDED. The motion prevailed on a roll call vote with 14 voting AYE, 4 EXCUSED.

Those voting AYE: Anderson, Dryden, Hunhoff, Jensen, Partridge, Romkema, Haverly, Omdahl, Parsley, Tidemann, Van Gerpen, White, Peters, Cronin. Those EXCUSED: Bordeaux, Ring, Buhl-O'Donnell, and Heineman.

Summer Study Topics/Interim Work Plan

Representative Cronin turned the gavel over to Senator Peters. Senator Peters reported that the staff continues to work on researching the new budget system. Conversations will be held with the states of Alaska and Idaho regarding the systems used in those states.

Senator Peters said that some of the fiscal staff will be working on summer study committees and will receive their assignments once those committees are selected. In addition to LRC summer studies, the staff will continue to monitor Governor's taskforces and study committees. The staff will also work on updating issue memos and members should feel free to contact staff with any ideas or suggestions they may have for issue memos.

Senator Peters said that in order to reduce some of the workload the committee faces the first two weeks of session, the plan is to meet with the Bureau of Finance and Management in December to go through the details of the budget. The plan at this time is to meet tentatively on December 14-15 and go over those details with Commissioner Jason Dilges.

Senator Peters added that the Government Operations and Audit Committee (GOAC) will be very busy this summer, but if any of the members have issues they would like GOAC to investigate they should contact either Representative Dryden or Senator Tidemann.

Other Business

Representative Dan Dryden reported on the Appropriations Subcommittee on FTE and Personal Services (**Document #1**). He explained that the FTE in this report actually refer to a pool of hours within the budget. In addition to these FTE, the report also includes personal service dollars. The fiscal staff will continue to evaluate these services and report to the Joint Appropriations Committee.

Representative Jeffrey Partridge said that he is surprised by the unutilized number in the report. He said that after hearing budget reports, he would have expected the number to be a lot higher. **Mr. Aaron Olson, Principal Fiscal Analyst**, said that the staff will take a look at the data and determine if there is a better way to display these numbers.

Senator Jim White said that each agency uses funds from unfilled FTEs to cover retirements and that there had been some discussion in the past to move those into a pool outside of the agency budget. He suggested that doing this may help better clarify the unutilized numbers.

A MOTION WAS MADE BY REPRESENTATIVE DRYDEN, SECONDED BY SENATOR WHITE TO APPROVE THE FTE AND PERSONAL SERVICES SUBCOMMITTEE REPORT. The motion prevailed on a roll call vote with 11 voting AYE, 7 EXCUSED. Those voting AYE: Anderson, Dryden, Hunhoff, Jensen, Partridge, Romkema, Haverly, Omdahl, Parsley, White, and Peters. Those EXCUSED: Bordeaux, Ring, Buhl-O'Donnell, Heineman, Tidemann, Van Gerpen and Cronin.

Set Future Meeting Dates

Ms. Annie Mehlhaff said that she is working on coordinating the East and West River Tours with Executive Board meetings to accommodate the several members who serve on both Appropriations and the Executive Board.

In addition to the tours, there will be a meeting in July, on December 8 in conjunction with the Governor's Budget Address, and later in December as discussed earlier in this meeting. The members will receive a calendar including all the dates once they are finalized.

Senator Peters returned the gavel to Representative Cronin.

Adjourn

SENATOR PETERS MOVED, SECONDED BY REPRESENTATIVE PARTRIDGE, TO ADJOURN. The motion prevailed unanimously on a voice vote.

The Committee adjourned at 3:05 p.m.

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