

MINUTES

Legislative Planning



Representative Scott Munsterman, Chair
Senator Mike Vehle, Vice Chair

First Meeting, 2016 Interim
Tuesday, May 17, 2016

Room 412 – State Capitol
Pierre, SD

The first meeting of the Legislative Planning Committee was called to order by Senator Mike Vehle, Vice Chair, at 10:00 a.m. (CDT), on Tuesday, May 17, 2016, in Room 412 of the State Capitol in Pierre, South Dakota.

The following members answered the roll call: Representative Scott Munsterman, Chair; Senator Mike Vehle, Vice Chair; Senators Gary Cammack, Terri Haverly, and Scott Parsley; Representatives Shawn Bordeaux, Kristin Conzet, Jacqueline Sly and Dean Wink. Members excused: Senator Ried Holien.

Staff members present included Clare Charlson, Principal Research Analyst; Fred Baatz, Principal Research Analyst; and Paul Giovanetti, Senior Legislative 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://sdlegislature.gov>.

Opening Remarks

Representative Scott Munsterman stated that, with the passage of SB 143 in 2016, the Legislative Planning Committee is assigned the task of taking a look at all the executive agencies from a performance management review perspective. The committee has established a plan ([Document #1](#)) that details how the committee will move forward over the next three years in reviewing all the departments. One of the committee's goals is to help each agency identify key performance indicators that can be monitored. The performance management review of each state agency will occur every three years. The committee will work with each agency to help the agency identify its goals and accompanying performance measures. The committee will meet four or five times during this interim to complete the review of seven agencies.

Senator Mike Vehle stated that the committee's overall goal is to identify, with the agency, the agency's goals. The committee does not want to get into crisis management within state government. He referenced Sir Michael Barber's book and noted the five questions below that the author presented as a guide for agencies to use when developing goals:

1. What are you trying to do?
2. How are you going to meet your goal?
3. How do you know you are succeeding?
4. If you are not succeeding, how will you change things?
5. How is the Legislature able to help?

Performance Management Review Process

Department of Transportation

Mr. Darin Bergquist, Secretary, Department of Transportation, presented information regarding the department's strategic plan ([Document #2](#)). The Department of Transportation has been involved in strategic planning for at least a decade. In the last few years, the department has improved on long-term planning by establishing performance measures. The focus is on measuring items that really matter partly because they are becoming important at the federal level. In 2011-12, the department adopted the Baldrige Criteria for Performance Excellence, which sets out what a high performing organization is doing and identifies loopholes in an organization. The department's strategic plan includes one-year and four-year goals with a full review of the goals every four years to coincide with the change in administration. Every year the department will adjust the goals to ensure that the department reaches its four-year goals. The current plan challenges each division to find its role in the department's goals and how it can support the strategic plan. Each division then develops a plan of action to reach its goals and continue with the strategic planning and performance measurement processes.

Representative Dean Wink asked about the department's objectives and how the department receives input from the general public. Secretary Bergquist said that the department initiates a customer satisfaction survey and receives a report which shows trends from the general public's response.

Representative Wink asked how the survey is conducted. Secretary Bergquist responded that the survey is a phone survey. One trend identified from this year's survey is the department's need to improve on how it communicates with the general public in upcoming projects.

Senator Scott Parsley commended the department on its current work and asked how the department handles complaints about contractors. Secretary Bergquist replied that the project management team tries to ensure that projects are completed in the most customer-friendly manner possible. The department is looking at a post-construction survey for the general public to assess public opinion about each project and the contractor used.

Senator Parsley asked if there is involvement at all levels in developing the strategic plan. Secretary Bergquist replied that when developing the four-year plan, the department seeks input from all employees on ways to improve the processes in the department.

Senator Gary Cammack asked if the department has any way of showing its progress toward meeting the goals established in graph form. Secretary Bergquist replied that the department does not have the information in graph form at this time. The department is good at collecting the data but there is not a good system in place to share the information within the department or with the public. The overall goal is to get the information into a system which automatically tracks each area and provides the ability to drill down into the specifics of a single area.

Senator Cammack commented that this would be helpful to the Legislature and would help show how the department is progressing. Secretary Bergquist stated that the department has the data and a document could be produced for the Legislature.

Senator Terri Haverly asked about public transportation especially air, rail, and public transit, and if the department has any goals for these areas. Secretary Bergquist stated that it will be very hard to find measurable data in these areas. The state only has one state-owned rail line and for air and public transit, the state is only a means of transferring money from the federal government to the local level.

Representative Jacqueline Sly asked how the department condenses the large amount of data it collects, and what challenges the department will have in getting that amount of data condensed into a usable format. Secretary Bergquist replied that the biggest challenge is determining the key performance indicators to be measured.

Senator Vehle stated that the committee's plan is to develop a simple report which identifies the five or six key indicators that need to be measured, and asked Secretary Bergquist what he would like to see as the key indicators.

Secretary Bergquist replied that the public sees the building and maintenance of the state highway system as the primary role of the department. Therefore, the top six items that will be key indicators of the department should be:

1. Condition of state roads;
2. Condition of state bridges;
3. Customer satisfaction;
4. Winter maintenance operation effectiveness; and
5. Personnel management (Workforce).

Representative Shawn Bordeaux discussed the way tribal communities are connected to the small towns and asked how the department could make the areas safer for tribal members who are walking from their communities into the towns. The main concern is the number of traffic fatalities on the highway.

Secretary Bergquist clarified that the number of car-pedestrian fatalities is tracked by the Department of Public Safety. He noted that a possible new goal could be the number of new miles of pedestrian sidewalks laid.

Senator Vehle asked about jurisdiction of highways on the reservations. Secretary Bergquist replied that the state has jurisdiction on all state highways that run through the reservations. Federal funds are available for use on those highways. Other routes that are not state highways are Bureau of Indian Affairs routes or county roads, which use a different source of funding. The state only has jurisdiction over state highways.

Senator Vehle explained the process of developing the key indicators and asked if the Secretary could get initial information out to the committee for review before the committee meets with him again. Secretary

Bergquist stated that the department could develop a couple of indicators and email information out to the committee to ensure that the department is on the right track.

Department of Tourism

Ms. Wanda Goodman, Deputy Secretary, Department of Tourism, presented information regarding the department's strategic direction ([Document #3](#)). Recently the department has contracted with the Coraggio Group, Inc., to develop its strategic direction. The direction is a one-page roadmap with the left side showing strategic anchors to include the department's mission, intention, and culture. The middle of the document has five strategic areas of focus. Each area of focus was explained to the committee.

Senator Haverly asked about how the goals were set and how anniversaries of major events like the Sturgis Bike Rally and the completion of Mt. Rushmore affect the statistics. **Mr. Kirk Hulstein, Research and Visitor Services Manager, Department of Tourism** replied that the anniversaries of the Sturgis Bike Rally and Mt. Rushmore have been factored into the determination of the numbers when the department set the goals.

Senator Parsley noted that the wording on the document with regard to the promotion tax of 16% should be reworded to reflect the revenue. Mr. Hulstein replied that the wording is key and that the percentage is a three-year goal. Ms. Goodman added that this is a three-year plan but it will be adjusted annually to reflect the changes in the industry.

Representative Wink asked if the numbers established for the next three years are above average or below average. Mr. Hulstein replied that the department pulled the data from four or five years ago, took a historical average, and projected out what can be accomplished annually over the next three years.

Senator Vehle asked for an explanation of the goal to increase International Spend from \$114.6M to \$119.8M. Mr. Hulstein replied that the goal is based on data the department receives from the department's research vendor on tourism economics. The data is what current international visitors are spending in South Dakota, and the goal is to increase the dollars spent by international travelers in our state.

Representative Wink discussed how the value of the dollar and the exchange rate have an impact on international spending and asked if that is weighted in this goal. Mr. Hulstein replied that when the value is adjusted, it impacts international travelers, but the goal is set on a historical average of what has been spent in South Dakota. When economic changes occur internationally, the department is able to adjust its international marketing strategies.

Senator Cammack pointed out that some of the figures are done as a three-year cumulative figure goal and others are annualized, noting it would make more sense if they were all annualized. He felt the jumping back and forth becomes very confusing to the public.

Representative Bordeaux noted that Native American tourism is not included in the strategic plan. He would like to see the tribes work with the department on what is already being done to promote tourism in regard to South Dakota's rich Native American culture and history. Ms. Goodman agreed and said the department would like to work with the tribes to promote that culture and history.

Representative Sly asked about the details of the "Big Daddy Splash" and specifically what kinds of events other than the Macy's Day Parade are available that would have that same impact. Ms. Goodman replied that participating in the Rose Parade, having the department do a balloon instead of a float in the Macy's Day Parade, sponsoring NASCAR Racing events, participating in Chicago's St. Patrick's Day Parade, and wrapping skyscrapers in Chicago have all been considered.

Senator Parsley asked how the department works together with economic development to make tourism the base for our economy. South Dakota is a good vacation destination but we are also a good place to live. Mr. Hulstein replied that the department will be participating in a study on how tourism affects economic development and how they tie together.

Senator Vehle asked if the department is in the process of finishing the strategic direction with the Coraggio Group and what the key indicators are. Ms. Goodman replied that the next step will be developing the initiative and starting the new fiscal year with the plan in place. For the purpose of measurable key indicators, the first strategic area would include job growth, wages, and economics, and would effectively address what is needed from the department for the performance management review process.

Representative Wink asked if any of this information has ever been shared with the appropriations committee. Ms. Goodman replied that, other than the budget request, not to her knowledge, has any of this information been shared.

Senator Vehle stated that he would like to meet again with the department during this interim to review a rough draft of the graphical representation of the key indicators.

Governor's Office of Economic Development

Mr. Pat Costello, Commissioner, Governor's Office of Economic Development (GOED), presented information regarding the GOED, its roles, and primary functions. Commissioner Costello presented the 2015 GOED Annual Report ([Document #4](#)) and accompanying reference materials ([Document #5](#)), that discuss the Building South Dakota Program, the loan program, and the grant programs. The GOED works for the citizens by helping businesses within the state and has changed over time based on the economy and how business is being done in South Dakota. For the future, the office sees that bioscience will become a big issue in economic development, including the medical science field. The current challenge that South Dakota is facing is a low unemployment rate of 2.5%.

Commissioner Costello noted that GOED's role in economic development has changed, but one goal should be job creation, another should be workforce recruitment efforts, and lastly, another should be the development of economic infrastructure.

Referring to bioscience, Representative Wink asked if this is from one company, or multiple companies, and if they want to be close together or spread out throughout the state. Commissioner Costello replied that bioscience has been wanting to come into South Dakota for a while. They tend to congregate together around universities where the research is being done.

Senator Vehle asked for an example of bioscience. Commissioner Costello replied that it is both plant and animal research, specifically in therapeutics and working towards combating lethal diseases. The ability to combat viruses has federal and international attention, and GOED wants to assist in the research development which can lead to the creation of cures. The next step in bioscience will be the manufacturing, which would be beneficial to keep in the state.

Representative Munsterman asked if GOED has a strategic plan. Commissioner Costello replied that GOED does not have a strategic plan. GOED is constantly evolving and looking at where the state resources can be successful. GOED looks at where state resources have been successful in the past and focuses on those areas. GOED needs to focus on what is adding value to the state, what is drawing companies into the state, and helping South Dakota companies expand. GOED recruits businesses and also develops local companies to help them grow and expand.

Representative Wink asked if there is data on workforce development. Commissioner Costello stated that the Building South Dakota program has key indicators and data as part of the program that, by law, must be reported; however, workforce recruitment is new to GOED. When this was added to the office by the Governor, the first order of business was to have a marketing firm survey focus groups to find out more about the workforce's view of the state and what motivated people to move to South Dakota. GOED learned that South Dakota is viewed as a tourist destination and not a place to jump start your career. Without a state income tax, people assumed the quality of life must be worse, and they are looking for similarities to what they know and where they have lived. The GOED started a new site "[You Can Live in South Dakota](#)" and are tracking the number of conversions that occur. A conversion is when site visitors are looking into working in the state through different links on the site, and GOED will begin to work with the Department of Labor and Regulation to track applicants that come from our site.

Representative Wink asked if the education level of those surveyed was a factor of the focus group. Commissioner Costello replied that the focus group targeted those in their late twenties and early thirties, both male and female, single and married, who did not have kids. The members of the group had completed their education and were wanting to enter into the workforce. When recruiting businesses, the employers are focused on K-12 education and quality of life so they can attract new employees.

Senator Cammack commented that GOED has the framework of a strategic plan, it is just not formalized. He asked GOED to present five or six key indicators that would be meaningful to the department, the Legislature, and the citizens of South Dakota. Commissioner Costello discussed business recruitment and expansion, job creation, manufacturing, work force recruitment, and economic infrastructure development as key indicators that would represent GOED reaching its overall goal. He stated that the data is there, it just needs to be put into the proper format.

Representative Munsterman stated that GOED needs to develop the goals it is trying to achieve and develop a strategic plan. The best way to do this is to answer what it is trying to accomplish and what performance indicators will identify that the department is reaching its overall goals.

Representative Bordeaux discussed the economic development on the tribal lands and asked if the department had quantifiable data on how GOED is working with the tribes to understand the struggle of unemployment on the reservations. Commissioner Costello stated that he is working with the Department

of Tribal Relations to get help on the reservations. The Building South Dakota program is available to tribal governments. However, until the tribes adopt the Uniform Commercial Code and waive sovereign immunity, the loans are not available for the tribes.

Representative Bordeaux asked if there is technical assistance to help the tribes with the Building South Dakota Program because the tribes do not know all of the details about the program. Commissioner Costello stated that Building South Dakota has planning districts to assist with the program.

Representative Munsterman stated that the committee looked into workforce development and the committee struggled to find out what the unemployment rate is in South Dakota when the tribes are included. This could be an area of opportunity for the GOED.

The committee reviewed what it would like from the GOED, and Commissioner Costello stated that he will present a formal document to the committee later this summer.

Planning for Future Meetings

The committee agreed that the next meeting will be on June 20, 2016, in Pierre.

Adjournment

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

The committee adjourned at 3:05 p.m.