

# Interim Joint Committee on Appropriations

## Foundation

The Interim Joint Committee on Appropriations (Interim JCA) was established by the 1974 Legislature in SDCL 4-8A-2. Members appointed to the Joint Committee on Appropriations during regular legislative sessions are to also serve on the Interim JCA. The Joint Committee on Appropriations consists of eighteen members; nine appointed by the president pro tempore and Senate minority leader, and nine appointed by the speaker of the House of Representatives, with advice from the House minority leader.

## Responsibilities

The powers and responsibilities of the Interim JCA are assigned in SDCL 4-8A-3. Generally, the Interim JCA continually reviews and evaluates state fiscal policy and conducts oversight of state agencies' budgets. The Interim JCA must also carry out any study assignments made by the Executive Board of the Legislative Research Council (LRC). If it becomes necessary, the Interim JCA may release general contingency funds appropriated in the general appropriations act or any special appropriation.

In addition, the Interim JCA must annually receive updated revenue projections and certify the proration of investment income. No later than July 30<sup>th</sup> of each year, the Bureau of Finance and Management (BFM) and LRC must submit independent revenue projections to the Interim JCA. If the projections estimate a shortfall in excess of 2.5% of the general fund budget in the current fiscal year, the BFM and LRC must propose measures to the Governor and Interim JCA to eliminate the shortfall. The Interim JCA, with recommendations from the BFM, must certify which funds are to participate in the proration of interest income of pooled investments managed by the state investment officer.

## Summary of Interim

During the 2015 Interim, the Interim JCA held three meetings and two legislative facility tours.

During the first meeting, held in Pierre on March 30, 2015, the Interim JCA:

- Approved the Letters of Intent sent to state agencies. A Letter of Intent (LOI) supplements an appropriation approved by the Interim JCA and enacted into law. It outlines policy guidelines for state agencies and expresses particular views held by the Interim JCA while it approved the appropriation. These guidelines do not have the direct force of statutory law and agencies are not required to follow them; however, they are used by the Interim JCA as a means to conduct fiscal oversight of state agencies. The following Letters of Intent were adopted by the Interim JCA:
  - **Department of Education (DOE) – Jobs for Americas Graduates (JAG) Program.** HB 1191 provided \$250,000 of one-time general funds to the DOE to allow additional school districts to participate in the JAG Program. The LOI specified that administration costs of the JAG Program should not exceed 20% of the funding provided in HB 1191.

- **Secretary of State – Computer Systems Upgrades.** The FY 2015 Supplemental Appropriations Act, SB 55, provided \$275,000 of one-time general funds to the Office of the Secretary of State. The LOI clarified that this funding is to be limited to computer system upgrades. The LOI also directed the Secretary of State to provide a detailed accounting of the additional funds to the Interim JCA by December 1, 2015.
- **Postsecondary Technical Institutes – Available Reversion Funds.** The Governor had originally recommended a decrease of \$1,057,341 in general funds in the FY 2015 Supplemental Appropriations Act, SB 55, to the postsecondary technical institutes due to lower-than-budgeted student enrollments in the current fiscal year. However, the Legislature decreased the reduction proposed by the Governor to \$57,341 in general funds. The LOI clarified that the remaining \$1 million was to be used as one-time funding for the technical institutes to enhance programs in high-need workforce areas. The LOI directed the Secretary of Education to distribute the funding in the same manner formula funds were to be distributed for FY 2016 per administrative rule 24:10:42:28. Furthermore, the technical institutes were directed to provide a report detailing the planned program enhancements by May 1, 2015, a report accounting for expenditures of the funds by December 15, 2015, and a five-year strategic and financial plan to the Interim JCA. (A supplemental LOI was approved by the Interim JCA at the June 10<sup>th</sup> meeting. See details on page 4.)
- **FY 2016 Discretionary Provider Inflationary Base Rate Increase.** The 2015 Legislature approved FY 2016 discretionary rate increases to providers in the amounts of 1.65%, 2.20%, or 2.50% depending on the services provided. The LOI specified the increase for each type of provider.
- **Bureau of Administration (BOA) – Captive Insurance.** The 2015 Legislature approved \$4,000,000 in general funds for the creation of a property and casualty insurance cell, \$2,000,000 in general funds to establish a captive insurance cell to fund liability and directors and officers insurance, and a \$2,500,000 set aside within the SD Science and Technology Authority indemnification fund to create a captive insurance cell for the South Dakota Science and Technology Authority. Additionally, the FY 2016 General Appropriations Act provided \$592,982 in general funds, \$385,944 in federal fund authority, and \$751,224 in other fund authority for the BFM Captive Insurance Pool to be distributed to agencies for captive insurance premiums. The LOI requested the BOA to update the Interim JCA on the status of the captive insurance cells at a future meeting.
- **BFM – Executive Reorganization.** Executive Order 2015-01 combined the Office of History and the South Dakota Historical Society, and transferred the newly combined office and Cultural Heritage Center from the Department of Tourism to the DOE. The LOI requested the BFM to certify that all funds available to the three offices were transferred and/or made available to the affected offices after the reorganization.
- **Department of Veterans Affairs (DVA) – Honor Guard Reimbursement.** The FY 2016 General Appropriations Act included \$45,000 in other fund authority to the DVA to reimburse local chapters of congressionally chartered veteran organizations that provide an

honor guard detail at a funeral of a veteran. The LOI clarified that payments to veteran organizations are not to exceed \$50 each time it provides an honor guard. The LOI also outlined conditions that must be met to receive a reimbursement and directed the DVA to use funds from the State Veterans Home Operating Fund for payments, with the intent that the Legislature will back-fill the fund during the 2016 Session. Lastly, the LOI directed the DVA to provide quarterly updates regarding reimbursements to the Interim JCA.

- **Bureau of Human Resources – FY 2016 Salary Policy.** The LOI specified that funding provided to the BFM Employee Compensation Pool was to be used for a 2.0% market adjustment for permanent state employees; 2.0% movement toward market value adjustments for general pay structure employees; 0% to 6.6% market adjustments for career band employees; and 0% to 4.5% performance-based adjustments for career band employees.
- **BFM – Conservation Fund Grant.** HB 1192 provided \$350,000 of one-time general funds to the BFM to provide a grant to the South Dakota Conservation Fund held with the South Dakota Community Foundation. The LOI clarified that these funds are to be held separately from the endowment fund and used to match private funds. It also directed the Board of Directors to update the Conservation Fund bylaws to reflect the funding structure outlined in HB 1192 and provide the Interim JCA with the updated bylaws. The LOI also directed the Board of Directors to provide documentation of any expenditures of the funds provided in HB 1192 to the Interim JCA.
- Received a report from Representative Dryden on the final findings and recommendations from the Appropriations Subcommittee on FTE and Personal Services. The Subcommittee found that FY 2014 transfers from personal services to operating expenses, unused personal services general funds, and unutilized FTE were all below the five-year average. Although FY 2014 figures were down, the Subcommittee recommended that the LRC staff continue to review ways to better budget for personal services expenditures and periodically report FTE and personal services utilization to the Interim JCA.

The 2015 East River Tour was conducted on June 9<sup>th</sup>, 10<sup>th</sup>, and 11<sup>th</sup>. Tours are typically scheduled every two years and include visits to state-owned facilities or facilities conducting activities that receive state funding. The East River Tour included stops at the following sites:

- South Dakota Investment Council – Sioux Falls
- State Penitentiary – Sioux Falls
- Southeast Technical Institute – Sioux Falls
- Volunteers of America West Oak Residential Program – Sioux Falls
- Kolberg-Pioneer Inc. – Yankton
- Human Services Center – Yankton
- University of South Dakota – Vermillion

The second meeting was held on June 10, 2015, at the Southeast Technical Institute in Sioux Falls, in conjunction with the East River Tour. The Interim JCA:

- Adopted a supplemental LOI to the postsecondary technical institutes modifying the distribution of \$1 million in general funds. The supplemental LOI clarified that the funding was to be distributed equally among the four technical institutes. (The original LOI was adopted at the March 30<sup>th</sup> meeting. See page 2 for details.)
- Received a report from the Presidents of the technical institutes regarding the planned use of the additional funding to enhance programs in high-need workforce areas, pursuant to the LOI approved March 30, 2015.

The third meeting was held on July 21, 2015, in Pierre. The Interim JCA:

- Received a year-end report on the FY 2015 budget. Revenues were \$9,999,511 higher than expected, along with \$11,535,637 in reversions from state agencies spending less than budgeted, totaling a \$21,535,148 cash surplus obligated to the Budget Reserve Fund.
- Received interim revenue estimates pursuant to SDCL 4-8A-16, which requires the BFM and LRC to prepare independent revenue projections by July 31<sup>st</sup> of each year.
  - The LRC projected general fund revenue for FY 2016 to be \$1,439,779,160, which was \$6.7 million higher than the adopted revenue estimate.
  - The BFM projected general fund revenue for FY 2016 to be \$1,437,731,192, which is \$4.6 million higher than the adopted revenue estimate.
  - Both entities reminded the Interim JCA that the projections were very preliminary as not even one month of actual data was available for analysis.
  - Neither estimate projected a shortfall in excess of 2.5% and as such, did not warrant any further action by the Interim JCA.
- Received a report from the BFM regarding the proration of investment income pursuant to SDCL 4-5-30. The Interim JCA approved and certified the recommended interest proration designations as participating and non-participating as presented by the BFM.
- Received an update from Senator Haverly and Representative Partridge regarding the establishment of the obligation recovery center.
- Various Agencies provided information requested by the Interim JCA:
  - Board of Regents – provided information regarding budget transfers conducted in FY 2015. Most transfers were realigning expenditure authority due to receiving less grant funding than budgeted.
  - BOA – provided an update on the captive insurance program. The Joint Powers Agreement was filed and coverage would go into effect October 1, 2015.
  - BOA – reported on damage to the capitol complex during the storm on June 22, 2015. The estimated total amount for repairs was \$57,000.

The 2015 West River Appropriations Tour was conducted on October 7<sup>th</sup>, 8<sup>th</sup>, and 9<sup>th</sup>. The West River Tour included stops at the following sites:

- STAR Academy – Custer
- Custer State Park

- McNenny Fish Hatchery – Spearfish
- Precision Blending International – Spearfish
- Quarq – Spearfish
- Sanford Lab Homestake Visitor Center – Lead
- Gilt Edge Mine Superfund Site – Lead
- Hotel Alex Johnson – Rapid City – Economic Development Social with Business Owners
- Black Hills Business Development Center – Rapid City
- Highway Patrol Office – Rapid City

## **Listing of Legislation Adopted**

None.

## **Listing of Committee Members**

- Representative Justin Cronin, Chair
- Senator Deb Peters, Vice Chair
- Representative David Anderson
- Representative Shawn Bordeaux
- Representative Dan Dryden
- Representative Jean Hunhoff
- Representative Alex Jensen
- Representative Jeff Partridge
- Representative Ray Ring
- Representative Fred Romkema
- Senator Angie Buhl O-Donnell
- Senator Terri Haverly
- Senator Phyllis Heineman
- Senator David Omdahl
- Senator Scott Parsley
- Senator Larry Tidemann
- Senator Bill Van Gerpen
- Senator Jim White

## **Staff**

- Annie Mehlhaff, Chief Fiscal Analyst
- Aaron Olson, Principal Fiscal Analyst
- Denice Houlette, Senior Fiscal Analyst
- Jason Simmons, Senior Fiscal Analyst
- Stephanie Gruba, Fiscal Analyst
- Cindy Tryon, Senior Secretary