

86th Legislative Session – 2011

Committee: Joint Appropriations

Tuesday, January 25, 2011

P - Present
E - Excused
A - Absent

Roll Call

- P Sutton
- P Haverly
- P Heineman
- P Novstrup (Al)
- P Peters
- P Putnam
- P Rampelberg
- P Dennert
- P Wismer
- P Juhnke
- P Bolin
- P Romkema
- P Dryden
- P White
- P Tidemann
- P Carson
- P Brown, Vice-Chair
- P Wink, Chair

OTHERS PRESENT: See Original Minutes

The meeting was called to order by Chairman Dean Wink.

Department of Game, Fish & Parks

Secretary Jeff Vonk along with Doug Hofer, Tony Leif and Chris Petersen met with the Appropriations Committee to discuss the department's FY12 budget request. Jeff Scherschligt, President of the Parks and Wildlife Foundation was also in attendance. Documents No. 1-8 were distributed.

Secretary Vonk told the Committee the department receives less than one-half percent in General funds. The actual breakdown of funds includes 34% in Federal funds, 60% from Other funds and 6% in General funds. The department generates internal funding through various fees and the sale of licenses. The department's FTE numbers have remained constant over the past 3 fiscal years and will again in FY12.

Secretary Vonk said the distribution of agency funds is 38% to Parks and Recreation, 55% to the Wildlife Division, 2% to Snowmobile Trails and 5% to Administration. The Division of Wildlife receives no General funds.

FY12 Budget Highlights include:

Division of Parks & Recreation – Operations: A \$650,000 general fund decrease is recommended along with a corresponding \$650,000 shift to other funds reducing the Parks & Recreation division's reliance on General funds. Expenditure authority adjustments include:

- An increase of \$154,264 in federal fund expenditure authority primarily for federal grant funding awarded for research and educational activities within the parks division.
- An increase of \$556,669 in expenditure authority for maintenance and operations of the statewide park system. The expansion includes:
 - \$270,000 for mountain pine beetle suppression efforts in Custer State Park
 - \$234,627 for mandatory operating expenses (inflationary increase to reflect utility rate increases and increased costs due to increasing utilization.)
 - \$52,042 and 2.0 FTEs for maintenance employee resources utilized for in newly constructed campground areas.

Representative Wink asked for an update on the pine beetle issue. Secretary Vonk said the drought was a major factor in the growth and spread of the beetles; however, even with the moisture received in the last 2 years, there have not been enough long periods of cold weather to reduce their survival rate. The trees were weakened by the drought thus providing food for the beetle. The department has a need for further suppression work in Custer State Park. Senator Haverly asked for the total amount spent on the pine beetle project. Doug Hofer, Director of Parks & Recreation said the department has been working jointly with the Department of Agriculture utilizing federal funds at a rate of \$500,000/year. The \$270,000 is replacement funds for federal funds that will no longer be available. Senator Haverly requested the total amount budgeted and the funding source. Mr. Hofer said the total cost will be \$450,000-\$500,000. A small amount will come from Department of Agriculture and the rest from the Custer State Park operating budget. The department will provide more detailed information. In response to Senator Haverly's question, Mr. Hofer said the peak amount spent was \$500,000 when 11,000-12,000 mature trees were taken down. Senator Tidemann asked what the funding trend had been with the federal partners. Chris Petersen, Director of Administration said the department has seen the forestry funding shift. Originally it was formula based but is now competitive grant

funding. Approximately 15-30 percent of what used to be formula funding is now competitive grant funding. The \$200,000-\$300,000 in pine beetle funding has gone to \$60,000-\$70,000.

Division of Parks & Recreation – Bond Payment: An increase of \$310,460 in General funds for the Custer State Park bond payment. The state General fund will receive a corresponding amount of revenue transferred from Game, Fish & Parks other funds to make this budget item a \$0 net impact on the General Fund.

Division of Parks & Recreation – Capital Development: This budget received no General funds. Recommended changes include an increase of \$5,140,550 in federal expenditure authority and a decrease of \$440,000 in other fund expenditure authority. The increase in federal fund expenditure authority is related to three items: 1) \$3.3 million for acquisition of the property within the Blood Run national historic landmark (total budget recommended for purchase equals \$3.8 million), 2) \$1.4 million for shoreline stabilization at Shade Hill recreation area, and 3) Angostura road and campground projects.

Snowmobile Trails Program: Reduction of \$326,000 in expenditure authority is recommended to reflect a decrease in the capital outlay budget.

Division of Wildlife – Capital Development: A net reduction of \$800,000 is recommended to bring the total budget down to \$5.4 million. The net decrease reflects the completion of the Rapid City Outdoor Campus project in FY11. FY12 projects include \$1.5 million for Rose Hill dam and other small dam repairs, \$1.2 million for reservoir work in Pennington County, and \$1 million for expansion of shop facilities in Sioux Falls needed to support habitat and access projects on private and public land and wildlife depredation assistance to landowners in southeastern South Dakota.

Division of Wildlife- Operations: A reduction of 2.5 FTEs and \$52,740 of expenditure authority is recommended to bring the budget allocation inline with anticipated utilization.

Division of Administration: A reduction of \$101,782 in expenditure authority is recommended based upon estimated savings resulting from lower central services costs and other department efficiencies.

Department Bond Payments: A net increase of \$239,726 in General funds is recommended to reflect changes to annual bond payment schedules. The state General Fund will receive a corresponding amount of revenue transferred in from Game, Fish & Parks other funds to make this budget item a \$0 net impact on the General fund.

Senator Putnam asked about the proposed amendment to the General fund budget for a partial bond payment. Mr. Petersen said the original authorization in FY07 was for \$12 million bond authority. The department has incrementally bonded in 3 different bond issuances. The last bond

was for \$3.8 million issued in this fiscal year, consequently there will be a partial bond payment due this fiscal year. The current year General fund bill will include a line item for \$141,000 in General funds for this payment. At the same time there will be a like payment to the General fund for \$0 impact. This will be the first payment for the last \$3.8 million and will require no other adjustments.

Representative Bolin asked how the department decides which dams to repair. Secretary Vonk told the Committee the department works cooperatively with School and Public Lands, the Department of Environmental and Natural Resources and the State Engineers Office to assess the dams. Based on the engineering assessment, and if the dam provides recreational opportunities and has good access, the department will generally repair the dam. The department spends approximately \$400,000 annually on dam repair. FEMA felt Rose Hill was a qualifying structure and one that the locals relied on so the department is cooperating with FEMA and working to restore the dam.

Senator Rampelberg asked if the department owns dams that have a potential liability that would impact the state. Secretary Vonk said originally the dams were built in areas where there was limited liability; however today it is different. The department depends on local zoning and officials to control development below a structure. Secretary Vonk said the department generally only works with FEMA when there has been a disaster declaration.

In response to Senator Heineman's question, Secretary Vonk said the Departments of Environment & Natural Resources and Game, Fish and Parks, along with the Office of the State Engineer and School & Public Lands all work together in assessing dams. The department owns 80+ structures so it is their prime responsibility to care for those particular structures; however, the department has participated financially on other structures as well. Representative Dennert asked if the 80+ dams owned by the Department of Game, Fish and Parks were included in the count supplied by School and Public Lands. Secretary Vonk said no.

Senator Putnam asked if the department has ever breached a dam to eliminate the costs for maintenance or repair. Secretary Vonk is not aware of any structure that has been breached. When a dam reaches that point, and there is potential liability involved, the structure would either be repaired or breached.

Senator Haverly asked if the current assessment system was effective. Secretary Vonk said he feels it is; however, because of ownership and responsibilities, it does get harder to get departments to help fund repairs when they do not own the structure. It is easier for the Department of Game, Fish & Parks, with license fees, to have the necessary funds for repair, especially if the structure is used locally. Senator Haverly asked the department to provide the information on assessment and repair costs over the past 10 years. This information will also be requested from the other agencies.

In response to Senator Tidemann's question, Mr. Petersen said the \$1 million budgeted for the Rose Hill dam included FEMA funding, which was 75%.

Wildlife Division

Tony Leif, Director of the Wildlife Division told the Committee the division receives no General funds and is funded solely by user fees from license fees or federal excise taxes. The Wildlife Operations budget is \$39,902,556. That budget is distributed as follows:

- 37% to Habitat and Access - \$14,668,102
- 21% to Wildlife Management - \$8,576,271
- 18% to Fisheries - \$7,068,161
- 24% to Public Service - \$9,590,022

Significant projects in wildlife management include:

- \$1.5 million to do wildlife surveys and wildlife management,
- \$1.3 million to conduct wildlife research, and
- \$3.1 million for wildlife damage abatement.

Representative Wink asked for an update on predator control issues. Mr. Leif said the revenue source for this project is fixed; however the department has looked for ways to increase their presence on the ground and decrease the administrative costs of the program. After reviewing the expenditures the department was able to add an additional Wildlife Damage Specialist who will provide assistance to the landowners in northwest South Dakota.

Representative Juhnke asked for a breakdown of the \$3.1 million in damage abatement. Mr. Leif said \$1.2 million is for predatory animal control, \$270,000 for prairie dog control and \$1.6 million for game animal depredation. Funding for damage control: Counties are assessed a per head fee for the number of livestock in the county (6 cents for cattle and 25 cents for sheep). That fee generates approximately \$300,000 and serves as the funding source for damage control. The department matches that funding 2-1. Funding for wildlife damage is a combination of a \$5 statutory imposed surcharge on every hunting license, (50% goes to hunting access and 50% to wildlife) and is supplemented by license fees.

In response to Senator Putnam's question, Mr. Leif said in the past some counties were not paying into the fund. The basis for non-payment was a budgetary decision rather than the level of service received. The department has taken the position of not charging counties back fees when they resume service.

Habitat and Access involves 4 major expenditures:

- \$5.4 million for habitat management programs, mostly on public land,
- \$6.2 million in payments made directly to landowners in 3 major programs
 - \$1.5 million in general habitat development on private land,
 - \$2.4 million in the Conservation Reserve Enhancement Program (CREP), and

- \$2.3 million in the Walk-In Program.

Senator Rampelberg asked commented on the CHAP Program. Mr. Leif said the Walk-In Program in South Dakota does not work with all landowners; the program essentially opens up the land to hunters with unlimited access. The Controlled Hunting Access Program (CHAP) is a limited access program. CHAP has had relatively small expenditures to date but is growing in popularity.

Fisheries involve 4 major areas:

- \$1.5 million focused fisheries management on the Missouri River,
- \$3.3 million for statewide fisheries management,
- \$1.5 million to operate 3 state fish hatcheries, and
- \$700,000 for fisheries research projects to help manage fisheries.

Public Service:

- \$5.4 million for conservation officers and law enforcement, the TIPS Program, training for officers, special permits, and administering the shooting preserve program,
- \$1.3 M for general information and outreach, website and help line,
- \$1.9 M for education, outdoor campuses, hunt safe program, and youth programs.

In response to Senator Tidemann's question, Mr. Leif said the department first sent a survey to the public 5 years ago and received much useful information. The current surveys are still coming in to the department and they hope to publish the results in the summer newsletter.

Representative White asked how many acres the department owned and offered to the public for hunting. Mr. Leif said the department owns approximately 300,000 acres. That number grew due to the acquisition of 75,000 acres along the reservoir in central South Dakota that previously belong to the Corp of Engineers.

The Wildlife Capitol Development budget amounts to \$5.356 million and involves:

- 60% to Aquatic Habitat and Access - \$3,180,000
- 21% to Maintenance Shops - \$1,128,000
- 15% to Hatchery Improvements - \$823,000
- 4% to GPA Access Improvements - \$225,000

Aquatic Habitat and Access:

- \$3,180,000 for 8 projects, 2 in the Black Hills, the Richland Dam, the Rose Hill Dam and other small projects. Of the \$3.8 million half is federal funds and half other funds generated through fishing license sales.

Maintenance Shops:

- \$1,128,000 for maintenance shops, one in Sioux Falls, and a cold storage building near Webster.

Hatchery Improvements

- \$645,000 to install a heating system for water at Blue Dog Fish Hatchery. Mr. Leif said the heating system will vastly improve conditions at the hatchery. Fish need warm water to grow and this will enable them to use the hatchery year around. Senator Haverly asked if the department had a plan for hatchery maintenance and repair. Mr. Leif will provide this information.
- \$225,000 for road work and improved access in game production areas.

Representative Juhnke asked for the cost of the road kill program. Mr. Leif said the department works with the Department of Transportation on a 50/50 basis. Approximately one year ago the two departments made a statewide sweep and have since entered in to a private contract for deer pickup. The department has spent \$82,000 so far in FY11, and budgeted \$180,000 in the FY12 budget as their 50% cost share.

Parks & Recreation Division

Doug Hofer, Division Director told the Committee state parks contribute substantially to the state's economy and have become even more popular during the current economic situation. In 2010 South Dakota hosted 7.9 million visitors involving \$1 billion in sales. Also in FY10 262,666 overnight camping sites were utilized. FY09 was a record setting year with visitation up 7% and camping up 10%. In FY10 both visitors and camping were up 2% over the record setting year of FY09.

Mr. Hofer said South Dakota's state park visitor numbers are 3 times that in Wyoming or Montana and while most of the revenue is generated from sales outside the state park, camping revenue and concessions within state park boundaries accounts for over \$20 million in taxable sales and pay over \$1 million in state sales tax.

South Dakota has 12 state parks, 42 recreation areas, 5 nature areas, 1 historic prairie, 70 lakeside use areas, and 10 marina/resorts. In addition the division manages the 1,114 mile Mickelson Trail, the Snowmobile Trail Program and maintains 240 public water access areas. State parks encompass a total of 102,065 acres with Custer State Park being the largest with 70,781 acres.

Mr. Hofer said surveys show 67% or 173,597 South Dakota residents are using the state parks along with 33% or 86,757 non-residents for a total of 260,354.

The Division of Parks and Recreation has 3 budget programs, Parks and Recreation, Development/Improvement and Snowmobile Trails. Representative Wink requested a list of projects funded with General funds and asked if other funds could be used for any of the projects. Mr. Hofer said the use of General funds and other funds are interchangeable. Approximately

16% of the FY11 operating budget is General funds. The FY12 budget shows a \$650,000 reduction in General funds, which is about 11% of the operating budget. The department is supplanting \$650,000 of other funds for the General funds. Mr. Hofer said in order to get to the requested reduction; the department proposed some fee adjustments. One adjustment was the \$2 increase in camping, generating over \$500,000. The second major adjustment was the elimination of one of the park entrance fee options at Custer State Park.

The department's FTE count has remained constant over the last decade. Currently the department has 240 FTEs, 118 of which are seasonal, temporary employees that receive no benefits. Each seasonal FTE on average equates to 4 summer jobs.

Development Improvement Budget:

This budget includes \$3.3 million in federal funds for the acquisition of 305 acres within the Blood Run national landmark to establish a new state park. Mr. Hofer said the option to purchase this property expires in December of 2011. The original appraisal for the property was \$5 million.

Blood Run Strategy:

Mr. Hofer told the Committee the department had applied for a federal grant which was included in the Presidents budget and went on to Congress; however, to date Congress is operating on a continuing resolution and no budget has been adopted. The department has made another application and in theory that budget should be approved in October of 2011. Funding under this grant is for the Forest Legacy project, not just for Blood Run.

Federal funds:

- \$3.3 million in federal funds
 - \$2,660,000 from US Forest Service – Forest Legacy,
 - \$500,000 from the National Park Service Land and Water Conservation Fund, and
 - \$40,000 in other federal grants.

State funds:

- \$500,000 from the Division of Parks and Recreation fund, and
- \$50,000 from the Deadwood Historic Preservation fund.

Donations:

- \$1,250,000 from the Parks & Wildlife Foundation

Jeff Scherschligt, President of the Board of Directors for the Parks and Wildlife Foundation told the Committee the private sector had pledged \$1,250,000. Mr. Scherschligt said the Blood Run project has been a vision for nearly 25 years and is now a time-sensitive issue with the purchasing option set to expire in December of 2011. The foundation fears the land will go to

private development and is ready to help with the project with the \$1.25 million they have raised on a private individual basis.

Senator Rampelberg asked if the purchase agreement could be extended. Mr. Hofer said the department has been working with the Conservation Trust agency; a group that helps to preserve public places by serving as a bridge when this type of situation occurs. In the event the federal money is not available by December 2011, the Conservation Trust agency is ready to step in and purchase the property and hold it until the state is able to make the transaction a reality. The Conservation Trust agency typically works on Forest Legacy type projects. Mr. Hofer said hopefully that will allow the state to meet the deadline. The Conservation Trust agency is looking at how successful the fund raising has been, the overall climate long-term as to whether the project will be funded with Forest Legacy funds, and if the State Legislature will grant federal expenditure authority.

Senator Peters noted that the \$5 million was for the ground, and asked how the department would fund the other work, such as roads, buildings, etc. Mr. Hofer said except for Bear Butte, the department has never utilized General funds for the development of a state park. They have leveraged federal funds, worked with partnerships to bring funding forward, utilized revenues from the park system when available and taken an opportunistic approach to fund them as appropriate. It would be the same for the operating side of this project. The park would have to be self-supporting when open and in operation. Senator Peters asked about the department's bonding capacity. Mr. Hofer said the state park system can request bonding authority from the Legislature; however, the key is how to pay off the bonds.

Senator Putnam asked if a park or saving of the land would be more beneficial than to turn it over to the private sector for development. Mr. Scherschligt said this is very special land that holds a great deal of Native American history. If this portion of land is not saved the entire area will be lost. Housing developments are already surrounding the area. Preserving the land for the public will create economic activity. Senator Putnam asked for a more detailed explanation of how the Committee's decision will affect the project, especially if the federal dollars are denied.

Senator Haverly commented that essentially the state was buying land and is unsure of if or when the federal dollars will come. In addition there is no plan on how to pay for a new park. Many private developments could be there that would bring in housing and jobs. Senator Haverly feels the department needs more than a vision, they need an exact plan. Secretary Vonk said he appreciates the Committee's need for a plan. However, with regard to the uncertainty of the federal funding, the Conservation Trust agency is ready to exercise their option if needed to hold the land for South Dakota. If the federal funding does not come they would be able to sell the land. Mr. Hofer said the expenditure authority would be for 2 years and would span the time that would cover every possible option.

Senator Putnam asked when the next round of federal funding would occur. Secretary Vonk said in a normal year of federal budgeting, the department would know today; however, because the

continuing resolution process is in place, all project level decisions have been put on hold until Congress adopts a budget. The Forest Service has gathered applications for the next fiscal year budgeting cycle and will announce the projects soon. The department should know by October of 2011 what programs are in effect. Secretary Vonk said the Committee's action will send a message to the Forest Service, to show them we are ready to move forward.

Senator Tidemann asked what percent of the \$1.25 million was in cash and what is in pledges. Mr. Scherschligt said the entire amount is in pledges to be paid upon the adoption of the option. Representative Bolin asked if Blood Run was the department's highest priority. Mr. Hofer said yes. Representative Carson asked for the appraised value of the property; Mr. Hofer said at the time the option agreement was negotiated, the land was appraised at \$5 million; however, it will need to be reappraised using the Yellow Book appraisal. Representative Wink asked how much of the area is on a flood-plain. Mr. Hofer said of the 300 acres, there are possibly 20-30 acres in the flood-plain. There are no burial sites on the acreage.

Representative Romkema asked if City of Sioux Falls and Lincoln County were involved in the funding efforts. Mr. Scherschligt said yes, Forward Sioux Falls has committed \$100,000 and \$100,000 from the Sioux Falls city parks. Senator Rampelberg asked how the land division goes between South Dakota and Iowa. Mr. Hofer said the department has worked with the State of Iowa, hoping to make this a partnership; however, the ideal location for a visitor center is located in South Dakota. Most of the burial sites and sacred ground is on the Iowa side. Representative Bolin said the Lincoln County Commission was considering a contribution to the project.

MOTION: ADJOURN

Moved by: Rampelberg
Second by: Carson
Action: Prevailed by voice vote.

Barb Bjorneberg
Committee Secretary

Dean Wink, Chair