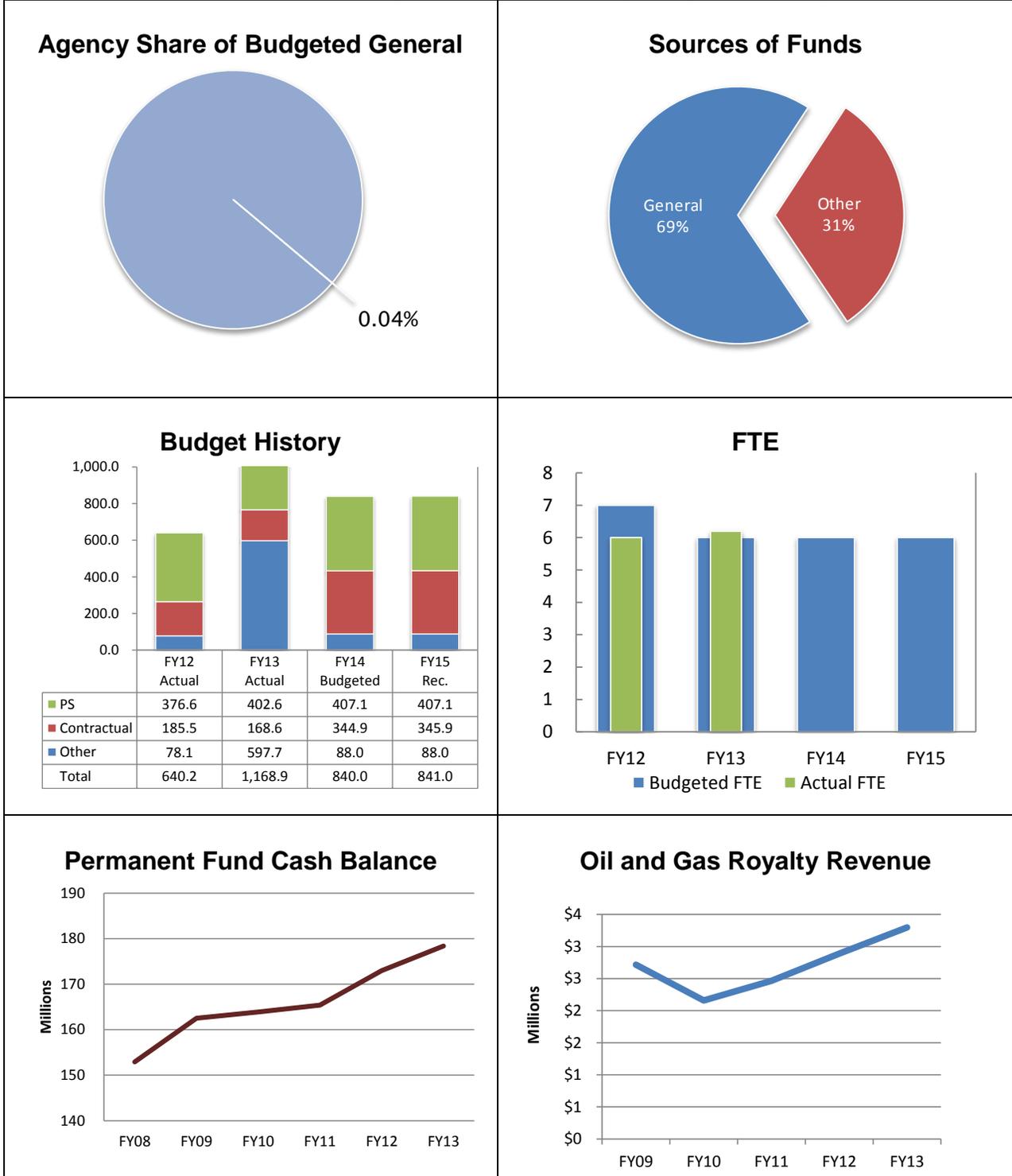


# FY15 Budget Briefing

# School and Public Lands

Information contained in this document is based on the Governor's original recommended FY15 budget.  
This document may not correspond with the FY15 budget adopted by the Legislature.



## Key Personnel

- Vern Larson, Commissioner
- Ryan Brunner, Deputy Commissioner

## Department Total

	Actual FY12	Actual FY13	Budgeted FY14	Gov Rec FY15	Rec Inc/Dec FY15	% Change From FY2014
<b>Personal Services</b>						
Employee Salaries	300,984	313,765	321,712	321,712	0	0.0%
Employee Benefits	75,607	88,831	85,391	85,391	0	0.0%
<b>FTE</b>	6.0	6.2	6.0	6.0	0.0	0.0%
<b>Funding Types</b>						
General	376,591	402,596	407,103	407,103	0	0.0%
Federal	0	0	0	0	0	0.0%
Other	0	0	0	0	0	0.0%
<b>Total PS</b>	376,591	402,596	407,103	407,103	0	0.0%
<b>Operating Expenses</b>						
Travel	12,494	8,469	17,600	17,600	0	0.0%
Contractual Services	185,511	168,586	344,902	345,903	1,001	0.3%
Supplies & Materials	63,238	78,113	68,350	68,350	0	0.0%
Capital Outlay	2,209	504,765	2,000	2,000	0	0.0%
Other	128	6,375	0	0	0	0.0%
<b>Funding Types</b>						
General	91,027	597,027	107,852	108,853	1,001	0.9%
Federal	0	0	0	0	0	0.0%
Other	172,553	169,281	325,000	325,000	0	0.0%
<b>Total OE</b>	263,580	766,308	432,852	433,853	1,001	0.2%
<b>Totals</b>						
<b>Funding Types</b>						
General	467,618	999,623	514,955	515,956	1,001	0.2%
Federal	0	0	0	0	0	0.0%
Other	172,553	169,281	325,000	325,000	0	0.0%
<b>Total</b>	640,170	1,168,904	839,955	840,956	1,001	0.1%

The budget for the Office of School and Public Lands is funded by general funds and revenue generated from the pesticide registration fees deposited in the Weed and Pest Control Fund.

## Department Object Detail

Item	Actual FY2012	Actual FY2013	Budgeted FY2014	Governor Rec FY2015	Inc/Dec Over FY2014	% Change Over FY2014
<b>PERSONAL SERVICES</b>						
General Funds	376,591	402,596	407,103	407,103	0	0.0%
Federal Funds	0	0	0	0	0	0.0%
Other Funds	0	0	0	0	0	0.0%
<b>Total Personal Services</b>	<b>376,591</b>	<b>402,596</b>	<b>407,103</b>	<b>407,103</b>	<b>0</b>	<b>0.0%</b>
FTE	6.0	6.2	6.0	6.0	0.0	0.0%
<b>TRAVEL</b>						
General Funds	12,494	8,469	14,600	14,600	0	0.0%
Federal Funds	0	0	0	0	0	0.0%
Other Funds	0	0	3,000	3,000	0	0.0%
<b>Total Travel</b>	<b>12,494</b>	<b>8,469</b>	<b>17,600</b>	<b>17,600</b>	<b>0</b>	<b>0.0%</b>
<b>CONTRACTUAL SERVICES</b>						
General Funds	67,647	63,943	75,902	76,903	1,001	1.3%
Federal Funds	0	0	0	0	0	0.0%
Other Funds	117,865	104,643	269,000	269,000	0	0.0%
<b>Total Contractual Services</b>	<b>185,512</b>	<b>168,586</b>	<b>344,902</b>	<b>345,903</b>	<b>1,001</b>	<b>0.3%</b>
<b>SUPPLIES AND MATERIALS</b>						
General Funds	8,677	19,850	15,350	15,350	0	0.0%
Federal Funds	0	0	0	0	0	0.0%
Other Funds	54,561	58,263	53,000	53,000	0	0.0%
<b>Total Supplies and Materials</b>	<b>63,238</b>	<b>78,113</b>	<b>68,350</b>	<b>68,350</b>	<b>0</b>	<b>0.0%</b>
<b>CAPITAL OUTLAY</b>						
General Funds	2,209	504,765	2,000	2,000	0	0.0%
Federal Funds	0	0	0	0	0	0.0%
Other Funds	0	0	0	0	0	0.0%
<b>Total Capital Outlay</b>	<b>2,209</b>	<b>504,765</b>	<b>2,000</b>	<b>2,000</b>	<b>0</b>	<b>0.0%</b>
<b>OTHER</b>						
General Funds	0	0	0	0	0	0.0%
Federal Funds	0	0	0	0	0	0.0%
Other Funds	128	6,375	0	0	0	0.0%
<b>Total Other</b>	<b>128</b>	<b>6,375</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.0%</b>
<b>TOTAL</b>						
<b>General Funds</b>	<b>467,618</b>	<b>999,623</b>	<b>514,955</b>	<b>515,956</b>	<b>1,001</b>	<b>0.2%</b>
<b>Federal Funds</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.0%</b>
<b>Other Funds</b>	<b>172,554</b>	<b>169,281</b>	<b>325,000</b>	<b>325,000</b>	<b>0</b>	<b>0.0%</b>
<b>Total All Funds</b>	<b>640,172</b>	<b>1,168,904</b>	<b>839,955</b>	<b>840,956</b>	<b>1,001</b>	<b>0.1%</b>

## Major Expansions and Reductions

Budget Item	Governor's Recommended Changes				FTE
	General Funds	Federal Funds	Other Funds	Total Funds	
A. Interagency Billing Increases	1,001			1,001	
Total	1,001	0	0	1,001	0.0

**A. Interagency Billing Increases** – The Bureau of Administration, Bureau of Information and Telecommunications and BFM have increased their billing rates to all agencies.

## Budget Notes

- According to the Constitution, common school and indemnity lands can be sold or leased and the proceeds deposited in a permanent trust fund for education. The principal can be increased, but never decreased. Interest from the fund is to be used for funding education. More than \$9.4M was earned and transferred to the state's public schools, universities and endowed institutions.
- Money is generated from grazing and agricultural (farming) leases, mineral leases, oil and gas leases, interest earnings on the Common School Permanent Fund, and interest on land and sales contracts.
- Grazing and agricultural leases are offered with five-year terms. At the end of the five years, the lessee can pursue one five-year extension of the lease. In 2013, the Office of School and Public Lands managed and maintained surface leases on 760,422 acres. More than 16,033 acres of grazing and agricultural property located in 25 counties were leased at public auction.
- The lease rate is set annually by the commissioner based on a formula in state law (SDCL 5-5-10.4). The Animal Unit Month (AUM) rate is calculated by multiplying the 5-year average price per lb. of all calves sold in South Dakota by 425 lbs., (actually use 500 lbs. as that is the closest weight reported) which is the average calf weight, divided by 12 months and multiplied by 25% (percentage set by the Commissioner of School and Public Lands).
- History of AUM Rates:
  - 2008      \$11.00
  - 2009      \$11.07
  - 2010      \$10.82
  - 2011      \$11.07
  - 2012      \$12.94
  - 2013      \$13.72
  - 2014      \$14.68

## **Oil and Gas Royalties**

SDCL 5-7-24 - The Lessee shall pay in money to the Lessor during the full term of this lease, **a royalty of one-eighth**, free of all costs and deductions, on the **oil produced** from the wells under this lease. The Lessee shall also pay in money to the Lessor during the full term of this lease, **a royalty of one-eighth**, free of costs and deductions, on the **gas produced** from the wells under this lease, whether the wells produce oil and casinghead gas or gas alone. All royalties shall be calculated upon the total amount produced, saved and marketed under this lease based on the fair market value of oil or gas or casinghead gas of like quality prevailing on the day the substance is sold.

### Historical Oil and Gas Royalties

FY09 -- \$2,717,444

FY10 -- \$2,160,673

FY11 -- \$2,465,783

FY12 -- \$2,890,802

FY13 -- \$3,298,003

## Interagency Billings

Below are the sources of funds School and Public Lands used to pay for services provided by central governmental bureaus last year.

<b>FY13 Actual Expenditures</b>	<b>General Funds</b>	<b>Federal Funds</b>	<b>Other Funds</b>	<b>Total Funds</b>
Bureau of Administration	33,279	-	-	33,279
Bureau of Finance and Management	1,618	-	-	1,618
Bureau of Human Resources	-	-	-	-
Bureau of Information and Telecommunications	11,631	-	-	11,631
<i>Total Bureau Billings</i>	46,527	-	-	46,527

## Governor's Recommended State Employee Compensation Plan – BFM Pool

For FY15, the Governor recommends the state employee compensation plan be distributed from a pool in the BFM. *Therefore, individual agency budgets do not reflect the increase for the compensation plan.*

	<u>General</u>	<u>Federal</u>	<u>Other</u>	<u>Total</u>
Across the Board Increase and Market Adjustments	\$11,458	\$0	\$0	\$11,458
Health Insurance	\$8,372	\$0	\$0	\$8,372
Movement Toward Job Worth (PACE)	\$0	\$0	\$0	\$0
Pay for Performance (Career Band Families)	\$0	\$0	\$0	\$0
Targeted Compensation Adjustments	\$0	\$0	\$0	\$0
Total of all Components	\$19,830	\$0	\$0	\$19,830

- Recommended FY15 – 3.0% PACE; 0%-4.5% Pay for Performance for Career Banding; 3% Across-the-Board/Market Adjust.; 18.6% Health Insurance; Targeted compensation adjustments for a small number of hard-to-fill, below market vocational jobs.
- FY14 - 3.5% PACE; 0%-4.5% Pay for Performance for Career Banding; 3% Across-the-Board; 3.5%-4% Market Adjustment for Career Banding; 14.7% Health Insurance.
- FY13 – 2.5% PACE; Adjustments for Career Banding; 3% Across-the-Board; 3.3% Health Insurance.
- FY12 – 0% PACE; 0% Across-the-Board; 0% Health Insurance. One-time payment to permanent, non-probationary state employees equaling 5%, 3.4%, or 1.7% of the individual's annual salary depending on their longevity. (No increase to base in FY12.)
- FY11 – 0% PACE; 0% Across-the-Board; 6.3% Health Insurance
- FY10 – 0% PACE; 0% Across-the-Board; 0% Health Insurance

## Selected Statistical Data

Selected Statistical Data	Actual FY 2012	Actual FY 2013	Estimated FY 2014	Estimated FY 2015
Apportion Common School Interest Fund and Income to School Districts	\$7,433,191	\$7,422,432	\$8,773,822	\$8,000,000
Apportion Endowed Income and Interest Fund to Ten Endowed Institutions	\$1,956,537	\$1,990,953	\$1,000,000	\$1,500,000
Grazing Land Lease Holders/Acres Leased	1,200/758,250	1,200/758,250	1,243/758,250	1,243/758,250
Annual Delay Rental (ADR) Oil and Gas	960	825	860	875
Held By Production (HBP) Oil and Gas	90	92	99	104
Mining Leases	13	13	13	13
Patents (Deeds) Processed	3	2	4	4
Dam Repair Schedule	2	2	2	2
Dam Inspections	35	35	35	35

## Other Fund Balances

Company and Fund Name	Blue Book Page	Balance on June 30		60-Month Average	Lowest Monthly Cash Balance in Past Five Years	
		FY2012	FY2013	Cash Balance	Amount	Month
Co 3001 - Public Lands Weed and Pest Fund	291	\$ 300,000	\$ 300,000	\$ 269,878	\$ 205,838	Jan 2010
Co 3009 - Public Buildings Fund	292	\$ 377,590	\$ 131,066	\$ 229,149	\$ 77,590	July 2012
Co 3108 - Escheated Personal Property Fund	293	\$ 608,178	\$ 499,980	\$ 639,978	\$ 499,980	June 2013
Co 5018 - Human Services	294	\$ 583,200	\$ 2,550,658	\$ 816,705	\$ 402,036	July 2008
Co 5018 - Permanent Fund	295	\$ 28,809,640	\$ 29,599,114	\$ 27,584,410	\$ 25,527,130	July 2008
Co 5018 - SDSD and SDSBVI M&R Funds	296	\$ 1,594,402	\$ 1,624,058	\$ 1,551,537	\$ 1,475,410	July 2008
Co 8010 - SPL Agency Fund	297	\$ 5,683,383	\$ 7,323,637	N/A	N/A	N/A
Co 8610 - Common School - Permanent Fund	298	\$ 143,769,318	\$ 148,359,642	\$ 138,051,550	\$ 127,537,483	July 2008
Co 8610 - Common School - Interest and Income	299	\$ 6,015,963	\$ 8,356,238	\$ 7,037,292	\$ 3,442,693	Feb 2009

## Major Budget Change History

- ✓ FY2013 – Provided \$500,000 in general funds for dam maintenance and repair.
- ✓ FY2012 – 10% General Fund Budget cut - \$54,704
- ✓ FY2009 – Appropriated \$125,000 in general funds and \$75,000 in other fund spending authority for a one-time assessment of dam maintenance and repair on state-owned dams

## **Letter of Intent – 2013 Legislative Session**

April 8, 2013

Jarrold Johnson, Commissioner  
SD School and Public Lands  
500 East Capitol  
Pierre, SD, 57501

### **Letter of Intent Regarding Legislation Approved in the 2012 Session**

Dear Commissioner Johnson:

This Letter of Intent sets forth a particular view held by the Joint Committee on Appropriations regarding your FY13 appropriation for dam maintenance and repair. As such, it supplements that appropriation with a specific policy guideline as approved on March 25, 2013.

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

The South Dakota Legislature approved an increase of \$500,000 in general funds for the Office of School and Public Lands in the FY13 General Appropriations Act. The appropriation for dam maintenance and repair is available for two years -- FY13 and FY14.

It was the intent of the 2012 Interim Joint Committee on Appropriations that the funding **not** be used for studies or assessments, but instead only for actual repair work.

The Interim Joint Committee on Appropriations further clarifies that a monitoring system for Richmond Dam lies within the scope of the original legislative intent for the expenditure of the funds as it is a necessary step to ensure downstream safety while determining what future repairs will be needed.

In addition, it is also expected that you will be prepared to address this guideline in your FY15 budget presentation to the Joint Committee next January.

Thank you for your cooperation.

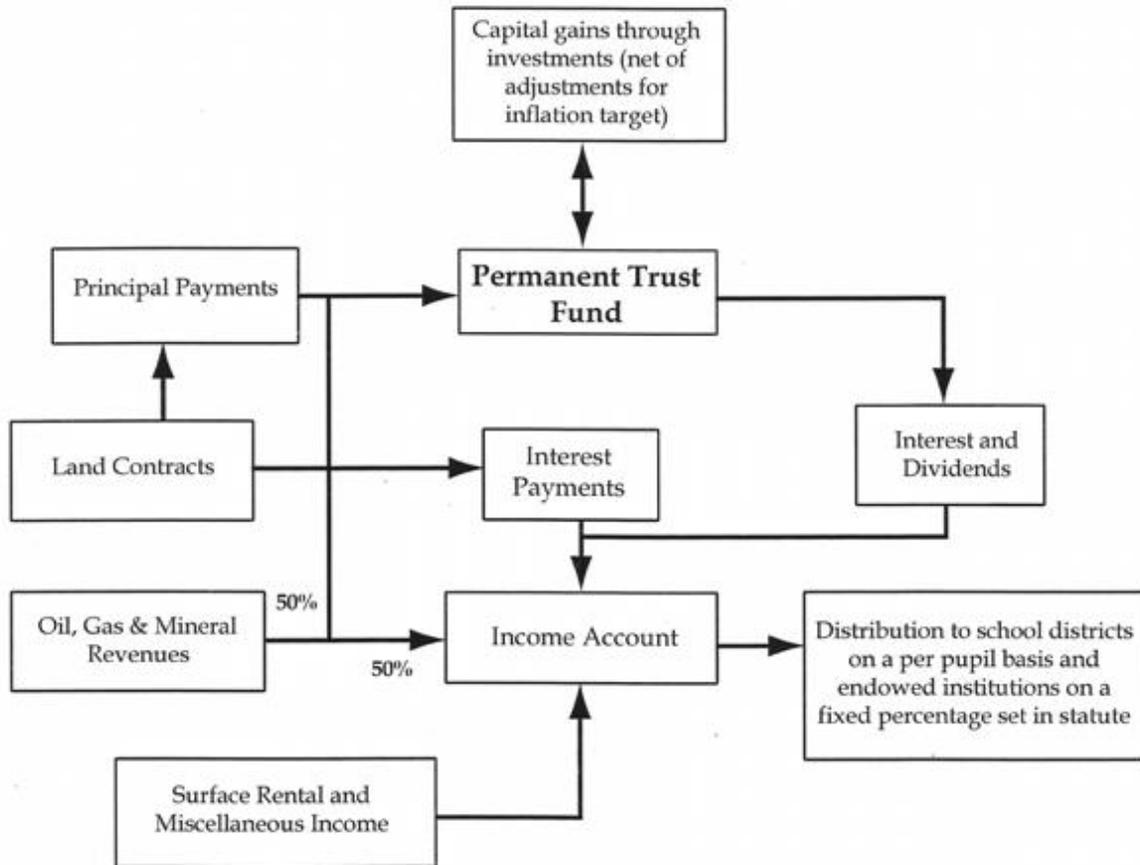


Representative Fred Romkema  
Co-Chair, Interim Joint Appropriations



Senator Deb Peters  
Co-Chair, Interim Joint Appropriations

## School and Public Lands Income Flow Chart



<u>REVENUES</u>	<u>Actual</u> <u>FY 2012</u>	<u>Actual</u> <u>FY 2013</u>	<u>Estimated</u> <u>FY 2014</u>	<u>Estimated</u> <u>FY 2015</u>
Mineral Monies (Permanent Trust Fund)	1,842,077	2,052,431	1,500,000	1,500,000
Escheats & Interest on Escheated Investments	8,797	126,697	16,000	20,000
Surface Leasing	4,670,494	4,512,062	4,500,000	4,500,000
Mineral Monies (School Distribution Funds)	1,842,077	2,052,431	1,500,000	1,500,000
Investment Income	4,893,776	5,366,265	5,000,000	5,000,000
Service Fees, Copies, Assignment of Leases & Easements	42,821	23,130	20,000	15,000
<b>Total</b>	<b>13,300,042</b>	<b>14,133,016</b>	<b>12,536,000</b>	<b>12,535,000</b>

## **Pesticide Registration Fees**

- A. State law requires that all pesticide products sold in South Dakota be registered with the South Dakota Department of Agriculture. The biennial registration fee is \$240 (SDCL 38-20A-4). A 50% late fee is assessed on late registration renewals.
- B. SDCL 38-20A-59 distributes the biennial fee as follows:
- a. \$40 is deposited in the Pesticide Regulatory Fund (Dept. of Agriculture);
  - b. \$67.50 is deposited in the Weed and Pest Fund (Dept. of Agriculture);
  - c. **\$42.50 is deposited in the Public Lands Weed and Pest Fund (SPL);**
  - d. \$30 is deposited within the Agricultural Experiment Station (Board of Regents);
  - e. \$20 is deposited within the Cooperative Extension Service (Board of Regents); and
  - f. \$40 is deposited in the Pesticide Recycling and Disposal Fund (Dept. of Agriculture).
- C. School and Public Lands collected \$398,323 from the Pesticide Registration Fee in FY13. Any amount over \$300,000 in the fund must be transferred to the Department of Agriculture's Weed and Pest Control Fund. Transfers to the Department of Agriculture:
- FY07 - \$ 0
  - FY08 - \$ 83,283
  - FY09 - \$ 84,500
  - FY10 - \$ 48,081
  - FY11 - \$ 81,619
  - FY12 - \$157,253
  - FY13 - \$ 98,323

## **History of School and Public Lands**

***"The Commissioner of school and public lands shall have the direction, management, and control of all lands heretofore granted or which may hereafter be granted to this state by the United States..."***

When South Dakota became a state in 1889, the federal government granted the state over 3.5 million acres of land. In each township sections 16 and 36 were to be used for schools and other public purposes. These are known as common school lands. If these sections were already settled, the government provided replacement lands known as indemnity lands.

Additional lands were also provided and could be divided as the State wished. The South Dakota Constitution divided these lands between the state's universities, the School for the Visually Handicapped, the School for the Deaf, State Training School, and the Developmental Center in Redfield. To manage these lands and the money they generated, the constitution established the Office of the Commissioner of School and Public Lands.

According to the constitution, common school and indemnity lands were either to be sold or leased and the proceeds deposited in a permanent trust fund for education. The principal could be increased, but never diminished. Interest from the fund was to be used for funding education.

Each year the office returns approximately \$12 million to school districts and endowed institutions. The money is generated from grazing, mineral, oil and gas leases, interest on the Common School Permanent Fund, and interest on land sales contracts.