South Dakota Office of School and Public Lands

February 26th , 2015

Appropriations Committee Presentation

School & Public Lands Budget

School and Public Lands Office History

When South Dakota became a state in 1889, the Federal Government granted the state over 3.5 million acres of land. Township sections 16 and 36 were reserved for school and public purposes; these are known as Common School Lands. If the sections were already settled, the government provided replacement property known as indemnity lands.

Additional property was also provided to be used however the state wished. The South Dakota Constitution divided these lands among 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 generated, the constitution established the Office 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 $10 million to school districts and endowed institutions. The money is generated from grazing, mineral, oil and gas leases, interest from the Permanent Fund, and interest earned on land and sales contracts.

Surface Division

- Leases are for 5 years with a 5 year option
- Lessee pays property taxes
- Over 2800 leases on 757,512.171 acres
- State manages weed and pest control on land through the weed and pest fund
- Executes easements and land sales for other agencies in state government

Surface Revenue by Land Class

COMMON SCHOOL	$3,822,554.56
SOUTH DAKOTA STATE UNIVERSITY	$334,955.18
UNIVERSITY OF SOUTH DAKOTA	$103,898.53
PUBLIC BUILDINGS	$52,650.55
SDSU EXPERIMENTAL STATION	$17,029.49
DOC JUVENILE PROGRAMS	$19,564.97
SCHOOL FOR THE DEAF	$35,820.03
SCHOOL FOR THE VISUALLY IMPAIRED	$70,625.87
REDFIELD HOSPITAL AND SCHOOL	$92,232.78
SCHOOL OF MINES	$50,266.32
DAKOTA STATE UNIVERSITY	$157,394.53
SPRINGFIELD	$71,049.38
NORTHERN STATE UNIVERSITY	$79,221.06
REDFIELD SD DEVELOPMENT CENTER	$672.00
CORRECTIONS/PLANKINTON	$6,940.00
TOTAL	**$4,914,875.25**

Surface Division Highlights

- Record year for surface revenue
- $4.9 million is an 8.8% increase over the $4.5 million in FY13. Leased 56,812 acres at 25 auctions
- 2015 auctions will include 81,000 acres in March
- 2015 new AUM base rate of $17.21. Used to set starting price for auctions based on SDCL 5-5-10.4

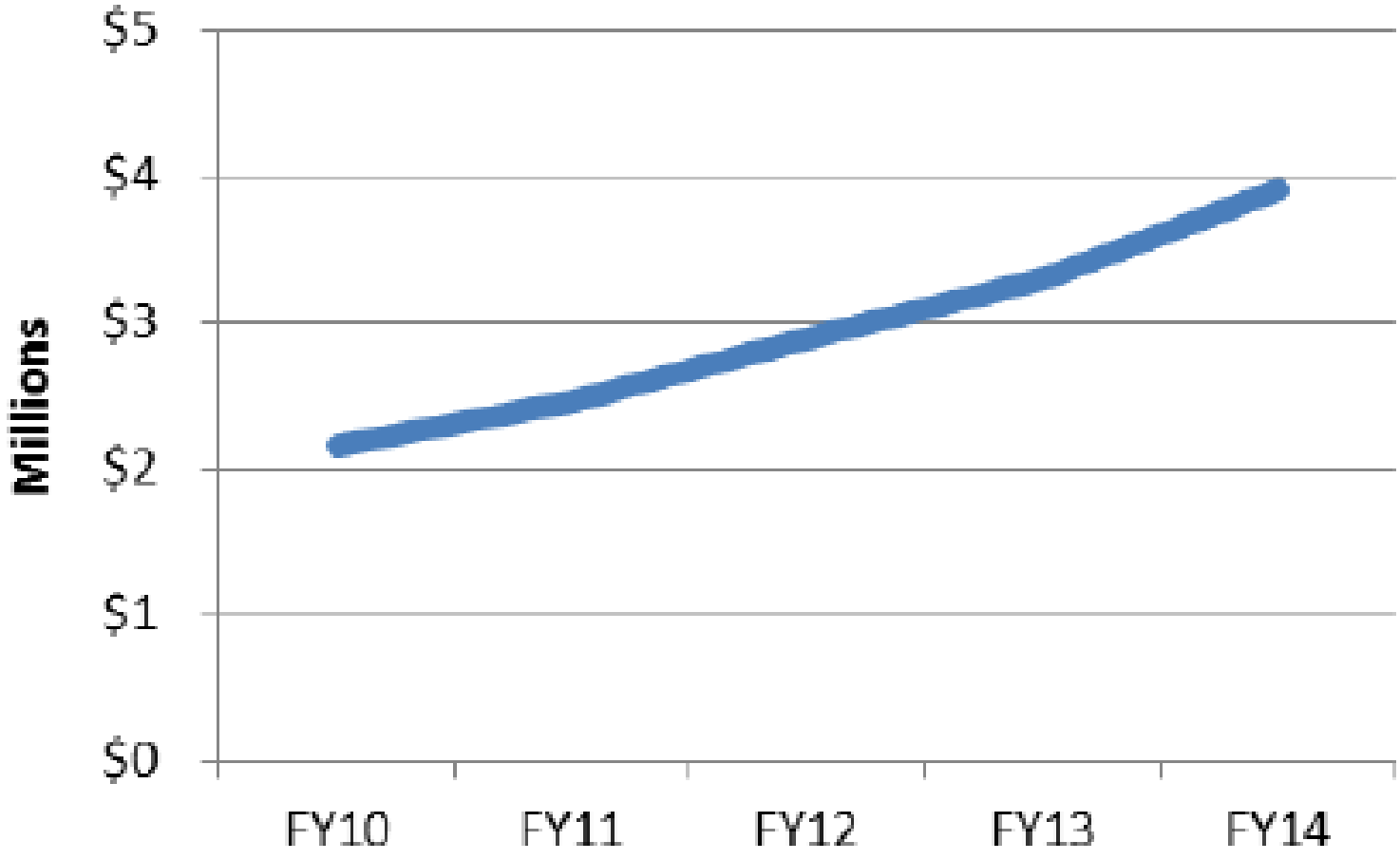
Mineral Division

- State owns 5.2 million acres of mineral rights
- 50% of revenue paid out annually and 50% to the SPL Trust Fund

Mineral, Oil & Gas Lease Rentals	$ 242,442.00
Oil & Gas Royalty (12.5%)	$3,897,065.86
Mineral, Oil & Gas Bonus	$ 234,110.00
Oil & Gas Miscellaneous	$ 25,441.31
TOTAL	**$4,399,059.18**

Money split $2.2 M paid out and $2.2 M to trust fund

Oil and Gas Royalty Revenue



Expect sharp drop in FY15 royalties due to the price of oil.

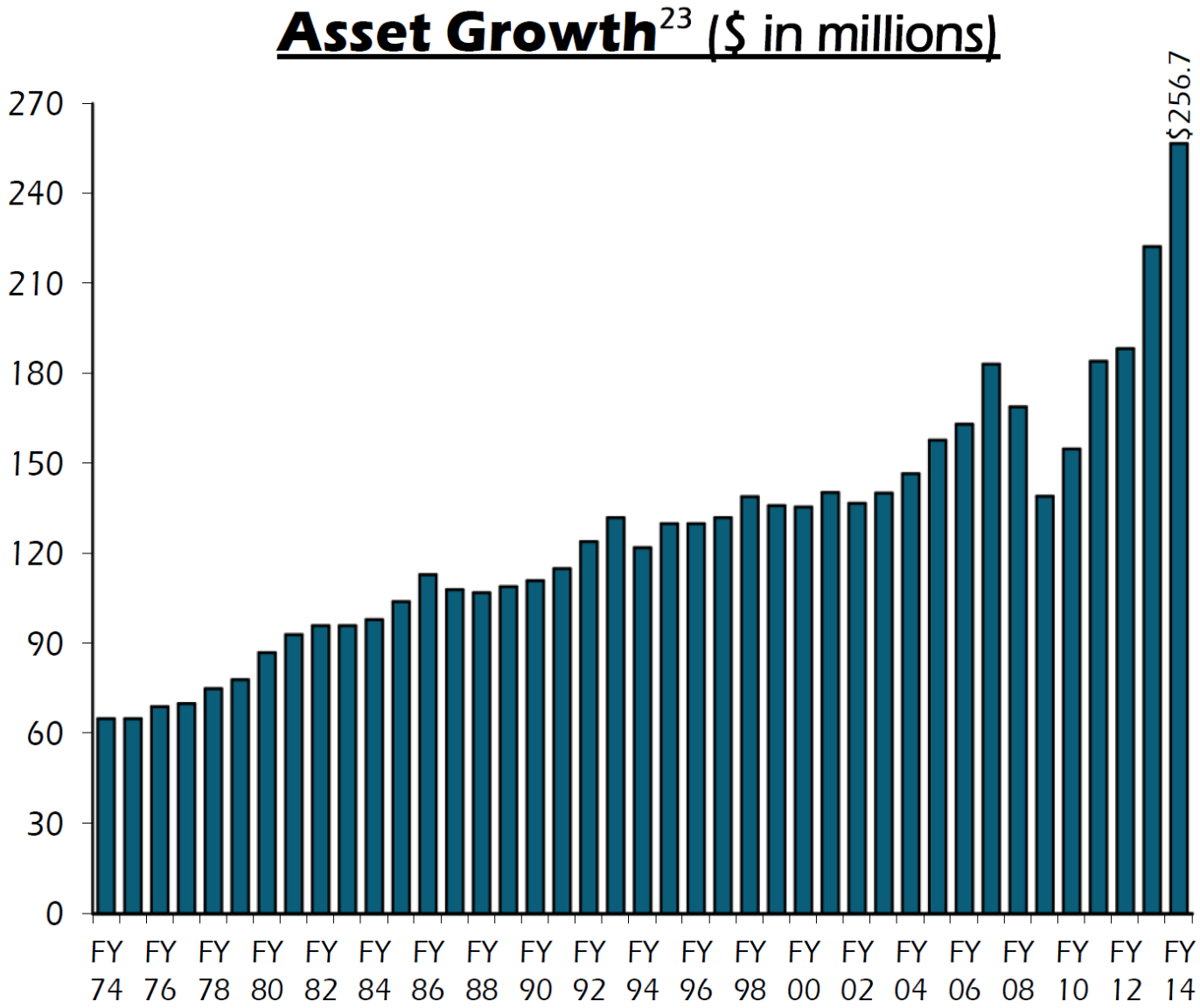
Permanent Trust Fund

At statehood, the Permanent Trust Fund was established with the intent of providing a continuous source of revenue for public schools, universities and endowed institutions. Proceeds from the sale of land are to be deposited in the fund, which can be added to but never diminished. The interest and dividends generated by the fund are apportioned to school districts, universities, and endowed institutions.

Constitutional amendment in 2000 allowed for two things

1. Adjust for inflation
   - Previously required to pay out all income
   - Land that sold for $20 an acre in 1900 was never adjusted until 2001 going forward.

2. Invest in Stocks through the SD Investment Council
   - Previously limited to savings bonds or direct loans
   - Much higher growth potential of the fund.



- The permanent fund is starting to benefit from the year 2000 Constitutional amendment allowing for inflationary adjustment and investing in stocks. The future payouts will increase significantly if the market holds

Dollars to Education

- K-12 money is earned in previous fiscal year. FY15 payout is revenue generated in FY14.
- K-12 Schools in FY13- $7,422,431.60
- K-12 Schools in FY14- $8,773,821.56
- K-12 Schools in FY15- $9,969,231.31
    - FY15 payout occurred the first week of February.
- Board of Regents- $1,441,936.12
- Endowed Institutions- $608,176.08

Total FY14 $10,823,933.76

Total FY15 $12.0 million estimated

Dollars Returned to Universities

South Dakota State University	$ 548,451.00
Dakota State University	$ 173,360.00
University of South Dakota	$ 236,041.00
SD School of Mines & Technology	$ 125,331.12
Black Hills State University	$ 173,360.00
Northern State University	$ 185,393.00
TOTAL	**$1,441,936.12**

Dollars Returned to Endowed Institutions

Juvenile Corrections	$ 85,859.27
SD & SVH Administrative Fund	$ 42,959.08
Redfield Development Center	$150,552.16
School for the Deaf	$ 95,118.36
SDSU Experimental Station	$ 68,418.30
School for the Visually Handicapped	$ 98,084.54
*Human Services	$ 67,165.37

*New beneficiary from interest from sale of surplus land to the City of Yankton

TOTAL	**$608,167.08**

FY15-16 School and Public Lands

- Surface Leasing- Consistent, dependable income that will see some increases because of demand for land and the price of cattle
- Oil and Gas- Steep fall in FY15 royalties due to fall in price of oil
- Permanent Fund- Capital gains have the fund in a good position but only interest and dividends are paid out
- No new funds outside of Governor's budget recommendation

Dams

- 100 State owned dams under SPL built in the 1930's and 1940's
- $500,000 appropriated for repairs/maintenance
- Two projects have bids awarded for construction this summer
  - $237,698 bid awarded on Elm Lake Phase II
  - $107,660 bid awarded for Hickman Phase I
  - Richmond Postponed. Bid in August and December with no bids received
- Engineering costs also deducted
- Small dam projects completed for bank stabilization and erosion control to prevent breaching at Pudwell, McGee, and Coal Springs
- $4,785.34 in funds remaining
- Full report on dams in 2016 after large projects completed

McGee Dam

Bank stabilized with rock

McGee Dam

Bank stabilized with rock.

Coal Springs Dam

Bank stabilized with rock

Pudwell Dam

Wing wall on spillway collapsed so rock was used to stabilize bank

Questions