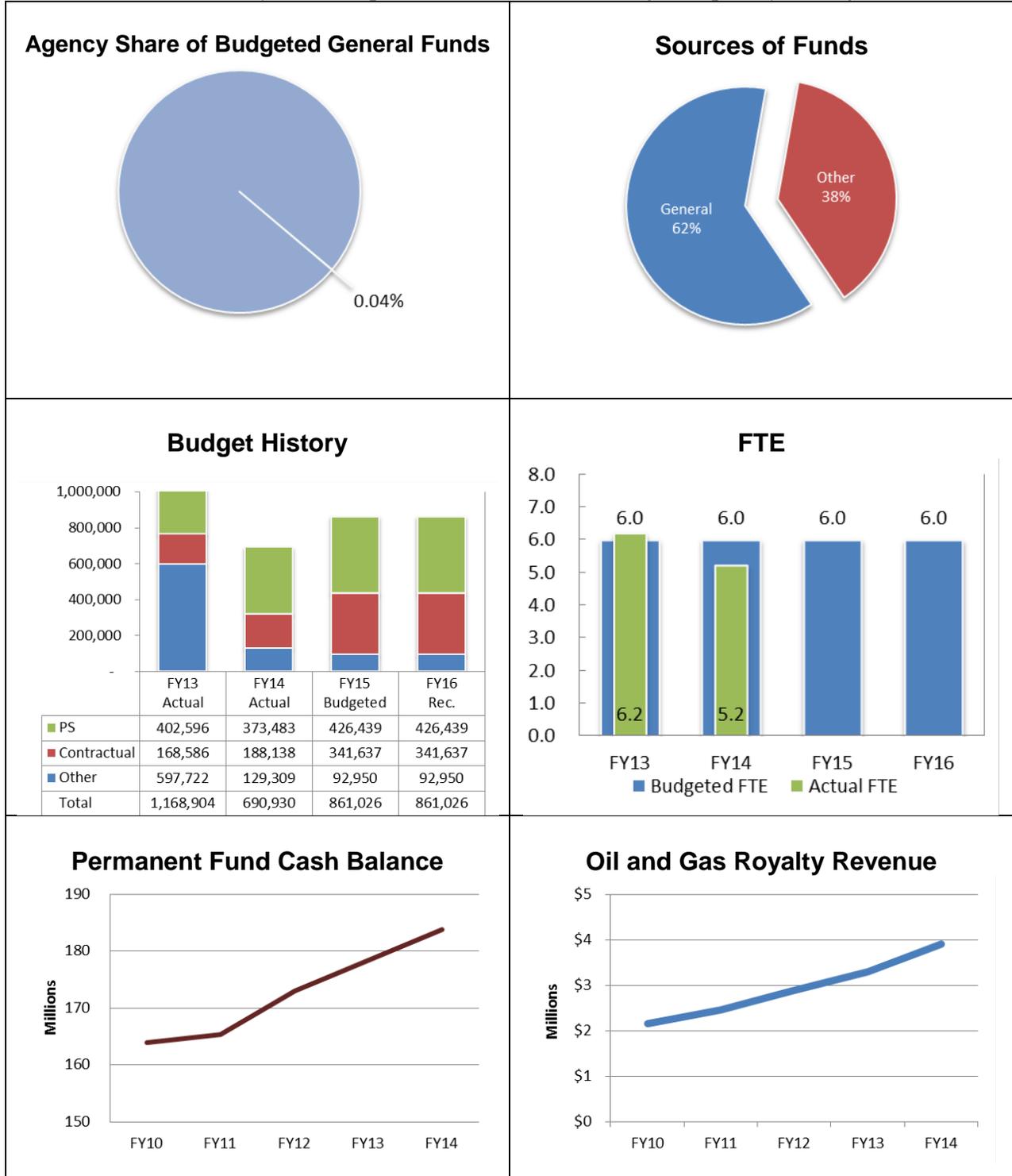


FY16 Budget Briefing

School and Public Lands

Information contained in this document is based on the Governor's original recommended FY16 budget.
 This document may not correspond with the final FY16 budget adopted by the Legislature.



Key Personnel

- Ryan Brunner, Commissioner
- Mike Lauritsen, Deputy Commissioner

Mission of the Office of School and Public Lands

To ensure efficient management of school and endowment lands and trust funds owned and administered by the state of South Dakota for the support and maintenance of the public schools and the various state institutions for which the lands have been granted.

Department Total

	Actual FY13	Actual FY14	Budgeted FY15	Agency Request FY16	Gov Rec FY16	Gov Rec Inc/Dec for FY16	% Change From FY2015
Personal Services							
Employee Salaries	313,765	288,971	331,363	331,363	331,363	0	0.0%
Employee Benefits	88,831	84,512	95,076	95,076	95,076	0	0.0%
FTE	6.2	5.2	6.0	6.0	6.0	0.0	0.0%
Funding Types							
General	402,596	373,483	426,439	426,439	426,439	0	0.0%
Federal	0	0	0	0	0	0	0.0%
Other	0	0	0	0	0	0	0.0%
Total PS	402,596	373,483	426,439	426,439	426,439	0	0.0%
Operating Expenses							
Travel	8,469	17,110	17,600	30,400	17,600	0	0.0%
Contractual Services	168,586	188,138	341,637	349,637	341,637	0	0.0%
Supplies & Materials	78,113	98,512	73,350	108,350	73,350	0	0.0%
Capital Outlay	504,765	13,688	2,000	3,000	2,000	0	0.0%
Other	6,375	0	0	0	0	0	0.0%
Funding Types							
General	597,027	154,730	109,587	166,387	109,587	0	0.0%
Federal	0	0	0	0	0	0	0.0%
Other	169,281	162,717	325,000	325,000	325,000	0	0.0%
Total OE	766,308	317,447	434,587	491,387	434,587	0	0.0%
Totals							
Funding Types							
General	999,623	528,213	536,026	592,826	536,026	0	0.0%
Federal	0	0	0	0	0	0	0.0%
Other	169,281	162,717	325,000	325,000	325,000	0	0.0%
Total	1,168,904	690,930	861,026	917,826	861,026	0	0.0%

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 Public Lands Weed and Pest Fund.

Major Expansions and Reductions

No changes recommended.

Department Object Detail

Item	Actual FY2013	Actual FY2014	Budgeted FY2015	Governor Rec FY2016	Inc/Dec Over FY2015	% Change Over FY2015
PERSONAL SERVICES						
General Funds	402,596	373,483	426,439	426,439	0	0.0%
Federal Funds	0	0	0	0	0	0.0%
Other Funds	0	0	0	0	0	0.0%
Total Personal Services	402,596	373,483	426,439	426,439	0	0.0%
FTE	6.2	5.2	6.0	6.0	0.0	0.0%
TRAVEL						
General Funds	8,469	14,786	14,600	14,600	0	0.0%
Federal Funds	0	0	0	0	0	0.0%
Other Funds	0	2,324	3,000	3,000	0	0.0%
Total Travel	8,469	17,110	17,600	17,600	0	0.0%
CONTRACTUAL SERVICES						
General Funds	63,943	75,409	72,637	72,637	0	0.0%
Federal Funds	0	0	0	0	0	0.0%
Other Funds	104,643	112,729	269,000	269,000	0	0.0%
Total Contractual Services	168,586	188,138	341,637	341,637	0	0.0%
SUPPLIES AND MATERIALS						
General Funds	19,850	50,847	20,350	20,350	0	0.0%
Federal Funds	0	0	0	0	0	0.0%
Other Funds	58,263	47,665	53,000	53,000	0	0.0%
Total Supplies and Materials	78,113	98,512	73,350	73,350	0	0.0%
CAPITAL OUTLAY						
General Funds	504,765	13,688	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%
Total Capital Outlay	504,765	13,688	2,000	2,000	0	0.0%
OTHER						
General Funds	0	0	0	0	0	0.0%
Federal Funds	0	0	0	0	0	0.0%
Other Funds	6,375	0	0	0	0	0.0%
Total Other	6,375	0	0	0	0	0.0%
TOTAL						
General Funds	999,623	528,213	536,026	536,026	0	0.0%
Federal Funds	0	0	0	0	0	0.0%
Other Funds	169,281	162,718	325,000	325,000	0	0.0%
Total All Funds	1,168,904	690,931	861,026	861,026	0	0.0%

Budget Notes

- According to the South Dakota 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 \$10.8M 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 2014, the Office of School and Public Lands managed and maintained surface leases on 757,512 acres. More than 56,812 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).

AUM Rates:

○ 2010	\$10.82
○ 2011	\$11.07
○ 2012	\$12.94
○ 2013	\$13.72
○ 2014	\$14.68
○ 2015	\$17.21

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.

Oil and Gas Royalties:

○ FY10	\$2,160,673
○ FY11	\$2,465,783
○ FY12	\$2,890,802
○ FY13	\$3,298,003
○ FY14	\$3,897,065

Governor's Recommended Employee Compensation and Bureau Billings Pool -
(page 01-23 of the Governor's FY16 budget book)

For FY16, the Governor recommends the 1) state employee compensation plan, 2) bureau billings, and 3) captive insurance be placed in a pool in BFM to be distributed to each agency. *Therefore, individual agency personal services and contractual services budgets do not reflect budget increases for the compensation plan, bureau billings, or captive insurance.*

- Below are the estimated distributions for employee compensation for FY16. BFM will distribute dollars from the Pool after employees are placed in the new General Pay Structure and career band pay-for-performance scores and percentages are calculated. The distributed amount to the agency will be in addition to the agency's appropriated personal services budget.

Estimated FY16 Agency Distribution	General	Federal	Other	Total
Market Adjustments	7,538	-	-	7,538
Movement Toward Market Value	-	-	-	-
<i>Total Compensation Package</i>	7,538	-	-	7,538

- ✓ Recommended FY16 – 2% market adjustment for all permanent employees (except Career Bands); 0%-6.6% market adjustments for Career Bands; 2.5% movement toward market value for General Pay Structure and PACE; 0% to 4.5% pay for performance for Career Bands; 0% health insurance.
- ✓ FY15 – 3% across-the-board/market adjustment for all permanent employees (including Career Bands); 3% adjustment toward job worth for PACE; 0%-4.5% pay for performance for Career Bands; targeted compensation adjustments for a small number of hard-to-fill, below market vocational jobs; 18.6% health insurance.
- ✓ FY14 – 3% across-the-board for all permanent employees (except Career Bands); 3.5% to 4% market adjustment for Career Bands; 3.5% adjustment toward job worth for PACE; 0%-4.5% pay for performance for Career Bands; 14.7% health insurance.
- ✓ FY13 – 3% across-the-board for all permanent employees (including Career Bands); 2.5% adjustment toward job worth for PACE; 0%-7% adjustment toward market value for Career Bands; 3.3% health insurance.

- Below are the estimated distributions for bureau billings for FY16. The amount distributed to the agency will be in addition to the agency's appropriated contractual services budget.

Estimated FY16 Agency Expenditures	General	Federal	Other	Total
Bureau Billings for Expansion	705	-	-	705
Bureau Billings for Compensation Package	400	-	-	400
<i>Total Bureau Billings Increase</i>	1,105	-	-	1,105

- The estimated distribution for Captive Insurance is not available at this time.

Interagency Billings

Below are the sources of funds the Office of School and Public Lands used to pay for services provided by central governmental bureaus (Bureau of Finance and Management, Bureau of Information and Telecommunications, Bureau of Administration, and the Bureau of Human Resources).

FY14 Actual Expenditures	General Funds	Federal Funds	Other Funds	Total Funds
Bureau of Administration	34,857	-	1,670	36,527
Bureau of Finance and Management	1,612	-	-	1,612
Bureau of Human Resources	-	-	-	-
Bureau of Information and Telecommunications	12,540	-	-	12,540
<i>Total Bureau Billings</i>	49,009	-	1,670	50,679

Selected Statistical Data

Selected Statistical Data	Actual FY 2013	Actual FY 2014	Estimated FY 2014	Estimated FY 2015	Estimated FY 2016
Apportion Common School Interest Fund and Income to School Districts	\$7,422,432	\$8,773,822	\$8,773,822	\$9,969,231	\$9,000,000
Apportion Endowed Income and Interest Fund to Ten Endowed Institutions	\$1,990,953	\$2,050,103	\$1,000,000	\$1,989,887	\$1,900,000
Grazing Land Lease Holders/Acres Leased	1,200/758,250	1,243/758,250	1,243/758,250	1,243/760,422	1,243/760,422
Annual Delay Rental (ADR) Oil and Gas	825	860	860	875	900
Held By Production (HBP) Oil and Gas	92	99	99	104	107
Mining Leases	13	13	13	13	16
Patents (Deeds) Processed	2	4	4	4	4
Dam Repair Schedule	2	2	2	2	3
Dam Inspections	25	25	35	25	25

Other Fund Balances

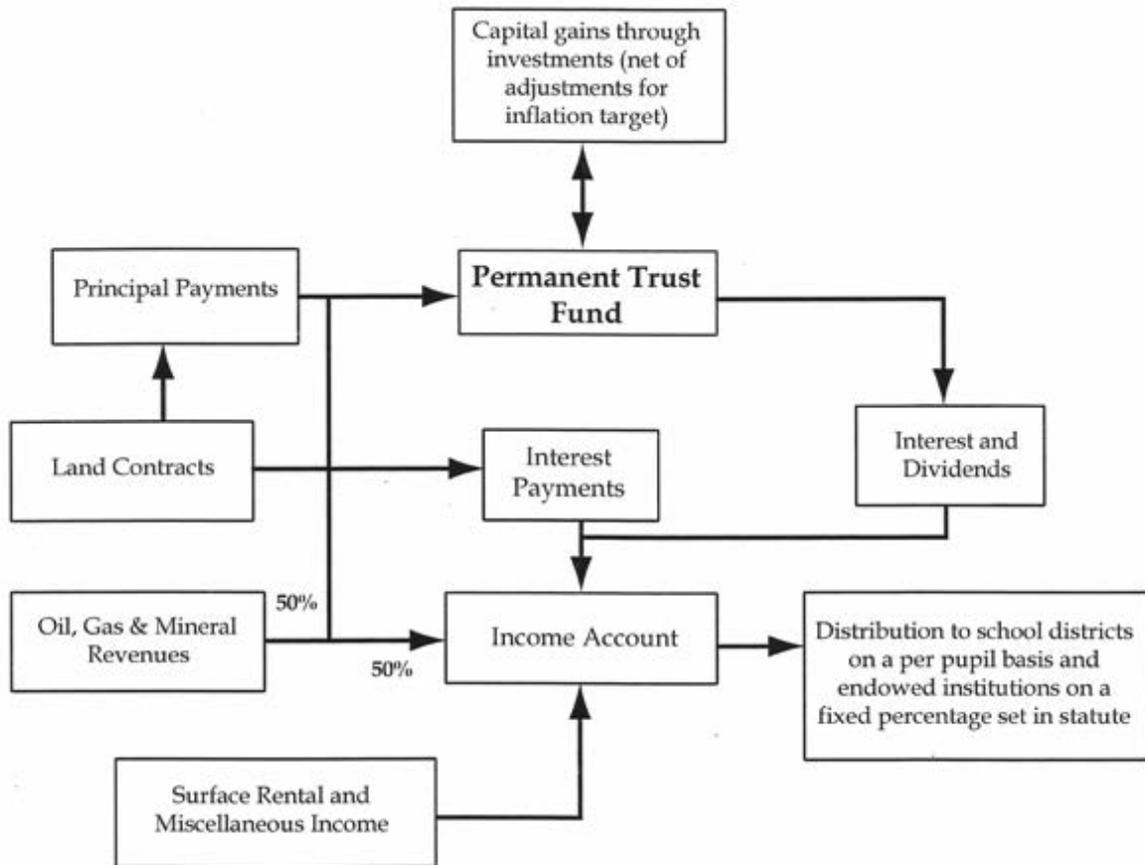
Company and Fund Name	Blue Book Page	Ending Cash and Investment Balance on June 30		60-Month Average	Lowest Monthly Cash Balance in Past Five Years	
		FY2013	FY2014	Cash Balance	Amount	Month
Co 3001 - Public Lands Weed and Pest Fund	295	\$ 300,000	\$ 300,000	\$ 270,963	\$ 205,838	January 2010
Co 3009 - Public Buildings Fund	296	\$ 131,066	\$ 187,676	\$ 229,187	\$ 77,590	July 2012
Co 3108 - Escheated Personal Property Fund	297	\$ 499,980	\$ 506,515	\$ 616,143	\$ 499,980	June 2013
Co 5018 - Human Services	298	\$ 2,550,658	\$ 2,561,028	\$ 1,245,782	\$ 420,175	July 2009
Co 5018 - Permanent Fund	299	\$ 29,599,114	\$ 30,423,010	\$ 28,345,556	\$ 27,039,582	July 2009
Co 5018 - SDSD and SDSBVI M&R Funds	300	\$ 1,624,058	\$ 1,652,407	\$ 1,578,082	\$ 1,541,979	July 2009
Co 8010 - SPL Agency Fund	301	\$ 7,323,637	\$ 14,103,192	\$ 4,002,451	\$ (8,944,631)	October 2009
Co 8610 - Common School - Permanent Fund	302	\$ 148,359,642	\$ 152,891,930	\$ 141,976,186	\$ 135,256,918	July 2009
Co 8610 - Common School - Interest & Income	303	\$ 8,356,238	\$ 9,591,319	\$ 7,290,746	\$ 3,563,306	February 2011

Refer to the *Supplemental Information and Blue Book* sections for more information on these and other funds.

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 expenditure authority for a one-time assessment of dam maintenance and repair on state-owned dams.

School and Public Lands Income Flow Chart



Revenues	Actual FY 2013	Actual FY 2014	Estimated FY 2015	Estimated FY 2016
Surface Leasing	4,512,062	4,957,794	4,500,000	4,500,000
Mineral Monies (Permanent Trust Fund)	2,052,431	2,186,808	2,000,000	2,000,000
Mineral Monies (School Distribution Funds)	2,052,431	2,186,808	2,000,000	2,000,000
Investment Income	5,366,265	5,000,000	5,000,000	5,000,000
Escheats & Interest on Escheated Investments	126,697	16,000	20,000	20,000
Service Fees, Copies, Assignment of Leases & Easements	23,130	20,000	15,000	10,000
Total	14,133,016	14,367,410	13,535,000	13,530,000

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:
- \$40 is deposited in the Pesticide Regulatory Fund (Dept. of Agriculture);
 - \$67.50 is deposited in the Weed and Pest Control Fund (Dept. of Agriculture);
 - \$42.50 is deposited in the Public Lands Weed and Pest Fund (SPL);**
 - \$30 is deposited within the Agricultural Experiment Station (Board of Regents);
 - \$20 is deposited within the Cooperative Extension Service (Board of Regents); and
 - \$40 is deposited in the Pesticide Recycling and Disposal Fund (Dept. of Agriculture).
- C. School and Public Lands collected \$298,858 from the Pesticide Registration Fee in FY14 and spent \$162,717 on efforts to control and manage noxious weeds and pests on state trust lands. Unappropriated cash in the Public Lands Weed and Pest Fund at the end of the year over \$300,000 reverts to the South Dakota Department of Agriculture's Weed and Pest Control Fund created by SDCL 38-22-35.

Transfers to the Department of Agriculture:

- o FY10 \$48,081
- o FY11 \$81,619
- o FY12 \$157,253
- o FY13 \$98,323
- o FY14 \$140,269

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 \$10 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.