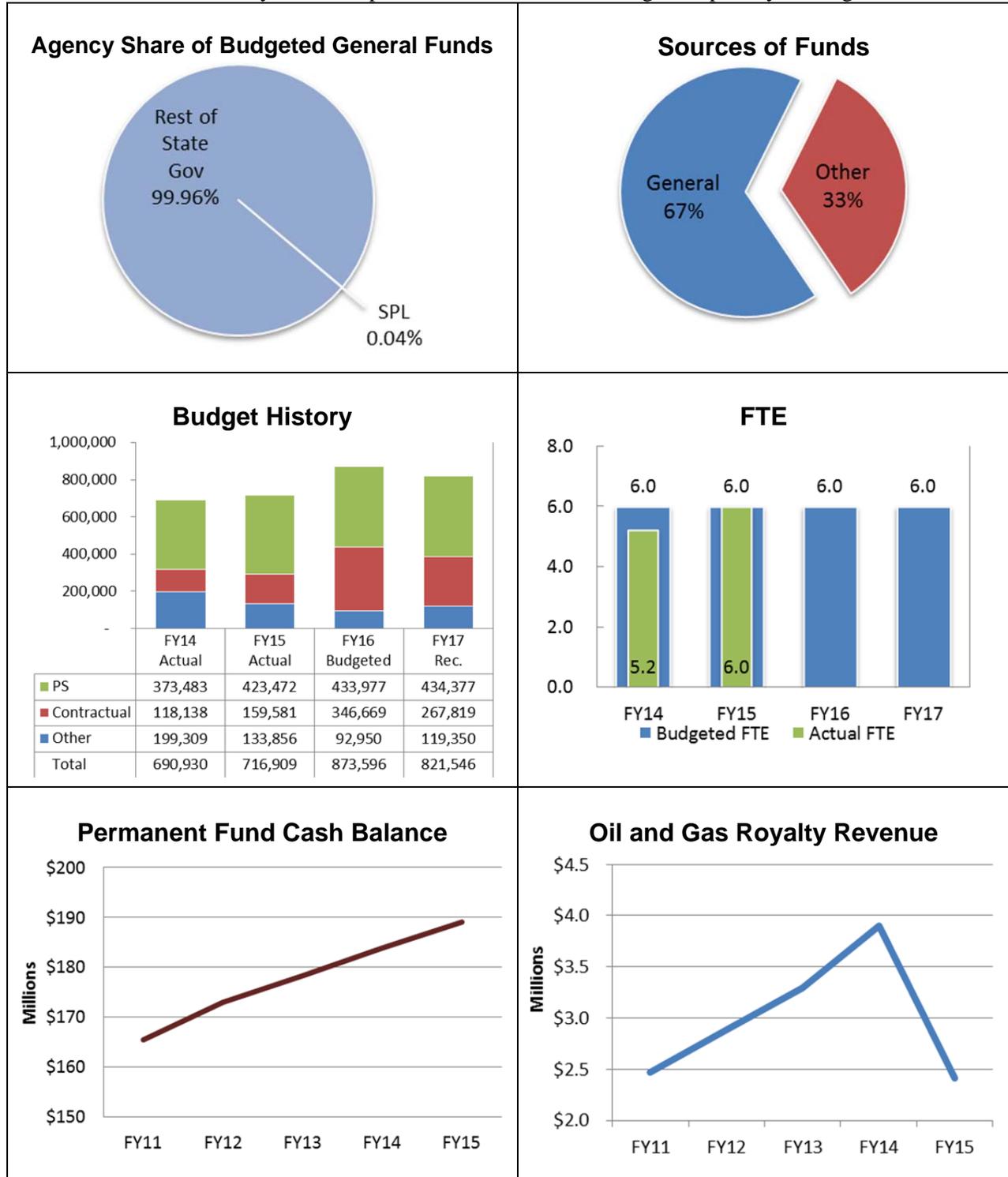


FY17 Budget Briefing

School and Public Lands

Information contained in this document is based on the Governor's original recommended FY17 budget.

This document may not correspond with the final FY17 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 FY2014	Actual FY2015	Budgeted FY2016	Agency Request FY2017	Gov Rec FY2017	Gov Rec Inc/Dec FY2017	% Change From FY2016
Personal Services							
Employee Salaries	288,971	330,536	337,990	338,190	338,190	200	0.1%
Employee Benefits	84,512	92,936	95,987	96,187	96,187	200	0.2%
FTE	5.2	6.0	6.0	6.0	6.0	0.0	0.0%
Funding Types							
General	373,483	423,472	433,977	407,577	407,577	(26,400)	(6.1%)
Federal	0	0	0	0	0	0	0.0%
Other	0	0	0	26,800	26,800	26,800	0.0%
Total PS	373,483	423,472	433,977	434,377	434,377	400	0.1%
Operating Expenses							
Travel	17,110	30,150	17,600	17,600	17,600	0	0.0%
Contractual Services	188,138	159,581	346,669	319,869	267,819	(78,850)	(22.7%)
Supplies & Materials	98,512	103,705	73,350	99,750	99,750	26,400	36.0%
Capital Outlay	13,688	0	2,000	2,000	2,000	0	0.0%
Funding Types							
General	154,730	108,990	114,619	141,019	141,019	26,400	23.0%
Federal	0	0	0	0	0	0	0.0%
Other	162,717	184,447	325,000	298,200	246,150	(78,850)	(24.3%)
Total OE	317,447	293,436	439,619	439,219	387,169	(52,450)	(11.9%)
Totals							
Funding Types							
General	528,213	532,462	548,596	548,596	548,596	0	0.0%
Federal	0	0	0	0	0	0	0.0%
Other	162,717	184,447	325,000	325,000	272,950	(52,050)	(16.0%)
Total	690,930	716,909	873,596	873,596	821,546	(52,050)	(6.0%)

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

Each year School and Public Lands 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.

Department Object Detail

Item	Actual FY2014	Actual FY2015	Budgeted FY2016	Governor Rec FY2017	Inc/Dec Over FY2016	% Change Over FY2016
PERSONAL SERVICES						
General Funds	373,483	423,472	433,977	407,577	(26,400)	(6.1%)
Federal Funds	0	0	0	0	0	0.0%
Other Funds	0	0	0	26,800	26,800	0.0%
Total Personal Services	373,483	423,472	433,977	434,377	400	0.1%
FTE	5.2	6.0	6.0	6.0	0.0	0.0%
TRAVEL						
General Funds	14,786	26,171	14,600	14,600	0	0.0%
Federal Funds	0	0	0	0	0	0.0%
Other Funds	2,324	3,979	3,000	3,000	0	0.0%
Total Travel	17,110	30,150	17,600	17,600	0	0.0%
CONTRACTUAL SERVICES						
General Funds	75,409	64,344	77,669	77,669	0	0.0%
Federal Funds	0	0	0	0	0	0.0%
Other Funds	112,729	95,237	269,000	190,150	(78,850)	(29.3%)
Total Contractual Services	188,138	159,581	346,669	267,819	(78,850)	(22.7%)
SUPPLIES AND MATERIALS						
General Funds	50,847	18,474	20,350	46,750	26,400	129.7%
Federal Funds	0	0	0	0	0	0.0%
Other Funds	47,665	85,231	53,000	53,000	0	0.0%
Total Supplies and Materials	98,512	103,705	73,350	99,750	26,400	36.0%
CAPITAL OUTLAY						
General Funds	13,688	0	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	13,688	0	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	0	0	0	0	0	0.0%
Total Other	0	0	0	0	0	0.0%
TOTAL						
General Funds	528,213	532,461	548,596	548,596	0	0.0%
Federal Funds	0	0	0	0	0	0.0%
Other Funds	162,718	184,447	325,000	272,950	(52,050)	(16.0%)
Total All Funds	690,931	716,908	873,596	821,546	(52,050)	(6.0%)

Major Expansions and Reductions

Budget Item	Governor's Recommendation				FTE
	General Funds	Federal Funds	Other Funds	Total	
A. General Fund Transfer from Personal Services to Operating Expenses	(26,400)	-	-	(26,400)	-
B. Building and Grounds Supplies	26,400	-	-	26,400	-
C. Other Fund Transfer from Operating Expenses to Personal Services	-	-	(26,800)	(26,800)	-
D. Other Fund Personal Services Increase	-	-	26,800	26,800	-
E. Equipment Services and Maintenance Budget Alignment	-	-	(52,050)	(52,050)	-
Total	0	-	(52,050)	(52,050)	-

- A. General Fund Transfer from Personal Services to Operating Expenses** – Decrease of \$26,400 in general funds, and corresponding increase in operating expenses. These general funds are being transferred for land improvement projects on SPL's ranches.
- B. Building & Grounds Supplies** – Increase of \$26,400 in general funds for land improvement projects (fencing, water development, and access) at SPL's ranches with the goal of increasing rental revenues. These funds are being transferred from personal services.
- C. Other Fund Transfer from Operating Expenses to Personal Services** – Decrease of \$26,800 in other fund authority in operating expenses, and corresponding increase in personal services.
- D. Other Fund Personal Services Increase** – Increase of \$26,800 in other fund authority to reflect additional staff time on weed and pest fund/other fund issues. Other fund authority is being transferred from operating expenses. The net increase of \$400 in other fund authority within personal services is to cover longevity payment and other miscellaneous expenses.
- E. Equipment Services & Maintenance** – Decrease of \$52,050 in other fund authority to align the budget with anticipated expenditures.

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.

Surface Division – Land Leases

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 2015, the Office of School and Public Lands managed and maintained surface leases on 756,084 acres, and land rentals reached a record high of \$5.8 million. More than 79,426 acres of grazing and agricultural property located in 32 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:

- 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.

Mineral leases are issued for a maximum of 15 years; oil and gas leases are issued for five-year terms. All leases can be held indefinitely as long as there is production on the lease. In FY15, the production royalties tied to the price of a barrel of oil fell significantly.

Oil and Gas Royalties:

- FY11 \$2,465,783
- FY12 \$2,890,802
- FY13 \$3,298,003
- FY14 \$3,897,065
- FY15 \$2,410,937

K-12 Funding – Apportionments to Public Schools

SDCL 13-13-1 directs the Commissioner to “apportion to each school district, pro rata, such share, as its population of resident pupils in average daily membership in the school district bears to the total number of pupils in average daily membership in all school districts.”

SDCL 13-13-1.1 Individual school district average daily membership defined. The individual school district average daily membership as calculated by the Department of Education for distribution of school and public lands funds may not include pupils for whom the school district receives tuition, shall include pupils for whom the district pays tuition, and shall include resident pupils attending public schools within the district and resident pupils attending private schools.

Total Apportionment Funding to K-12 School Districts:

- FY11 \$8,273,935
- FY12 \$7,433,191
- FY13 \$7,422,432
- FY14 \$8,773,822
- FY15 \$9,969,231

Pesticide Registration Fee – Other Fund Revenue

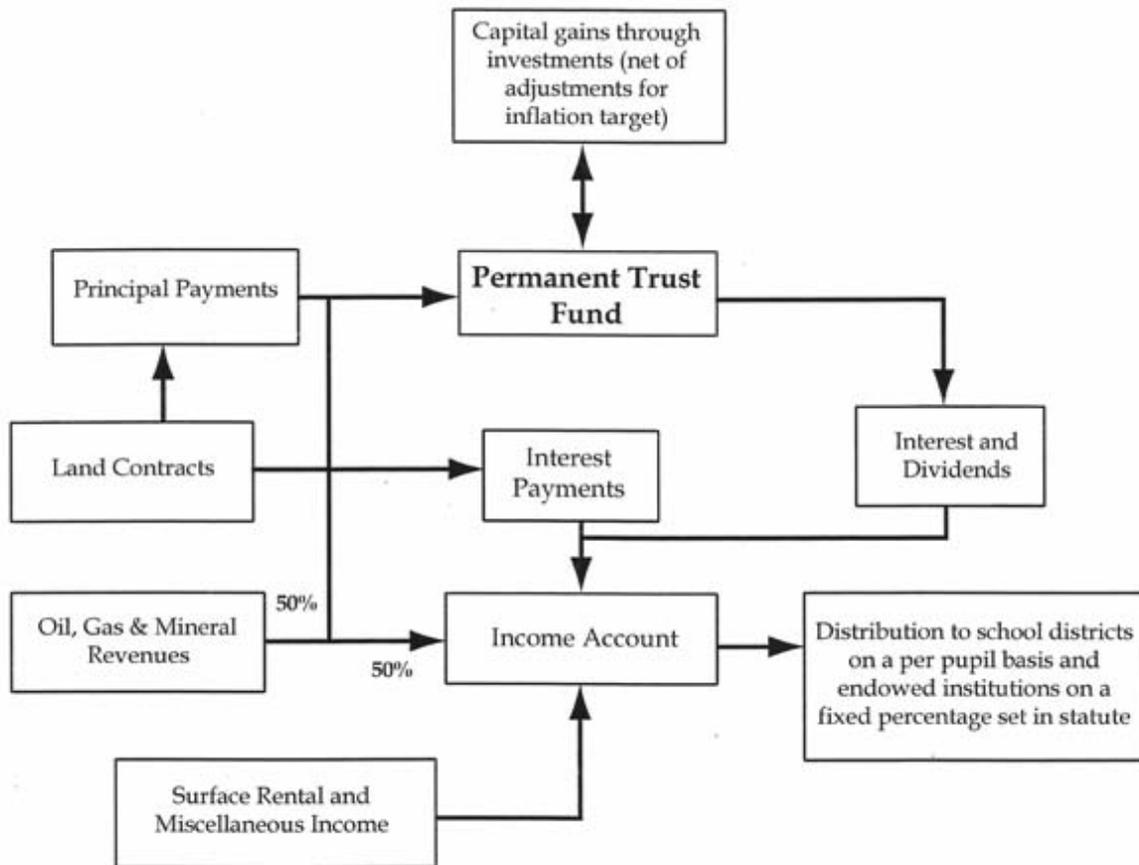
State law requires that all pesticide products sold in South Dakota be registered with the South Dakota Department of Agriculture. The biennial registration fee is \$240 (SDCL 38-20A-4). A 50% late fee is assessed on late registration renewals.

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 Control 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).

School and Public Lands collected \$268,968 from the Pesticide Registration Fee in FY15 and spent \$184,447 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. In FY15, \$87,220 reverted to the Department of Agriculture.

School and Public Lands Income Flow Chart



Revenues	Actual FY 2014	Actual FY 2015	Estimated FY 2016	Estimated FY 2017
Surface Leasing	4,957,794	5,864,954	6,000,000	6,000,000
Mineral Monies (Permanent Trust Fund)	2,186,808	1,652,409	1,000,000	1,000,000
Mineral Monies (School Distribution Funds)	2,186,808	1,652,409	1,000,000	1,000,000
Investment Income	5,000,000	5,359,814	5,000,000	5,000,000
Escheats & Interest on Escheated Investments	16,000	7,270	10,000	10,000
Service Fees, Copies, Assignment of Leases and Easements	20,000	8,182	10,000	10,000
Total	14,367,410	14,545,038	13,020,000	13,020,000

Selected Statistical Data

Performance Indicators	Actual FY 2014	Actual FY 2015	Estimated FY 2016	Estimated FY 2017
Apportion Common School Interest Fund and Income to School Districts	8,773,822	9,969,231	10,227,405	10,000,000
Apportion Endowed Income and Interest Fund to Ten Endowed Institutions	1,500,000	2,103,802	2,100,000	2,100,000
Grazing Land Lease Holders/Acres Leased	1,243/758,250	1,243/760,422	1,243/760,422	1,243/760,422
Annual Delay Rental (ADR) Oil and Gas	860	875	600	600
Held By Production (HBP) Oil and Gas	90	95	96	97
Mining Leases	13	13	16	16
Patents (Deeds) Processed	4	3	8	15
Dam Repair Schedule	2	2	3	2
Dam Inspections	25	25	25	25

Other Fund Balances

Company and Fund Name	Blue Book Page	Ending Cash and Investment Balance June 30			60-Month Average Cash Balance	Lowest Monthly Cash Balance in Past Five Years	
		FY2013	FY2014	FY2015		Amount	Month
Company 3001 - Public Lands Weed and Pest Fund	295	300,000	300,000	300,000	278,571	231,438	March 2013
Company 3009 - Public Buildings Fund	296	131,066	187,676	247,746	223,076	77,590	July 2012
Company 3108 - Escheated Personal Property Fund	297	499,980	506,515	509,173	577,870	499,980	June 2013
Company 5018 - Human Services	298	2,550,658	2,561,028	2,613,028	1,678,286	420,175	July 2010
Company 5018 - Permanent Fund	299	29,599,114	30,423,010	31,252,902	29,079,722	27,261,615	July 2010
Company 5018 - SDSD and SDSBVI M&R Funds	300	1,624,058	1,652,407	1,685,516	1,602,926	1,541,979	July 2010
Company 8010 - SPL Agency Fund	301	7,323,637	14,103,192	24,212,685	8,980,262	(4,336,185)	July 2010
Company 8610 - Common School - Permanent Fund	302	148,359,642	152,891,930	157,359,191	145,845,333	136,429,311	July 2010
Company 8610 - Common School - Interest and Income	303	8,356,238	9,591,319	10,058,243	7,994,607	3,563,306	February 2011

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).

Bureau Name	General	Federal	Other	Total
Bureau of Finance and Management	1,647	-	-	1,647
Bureau of Administration	39,661	-	2,713	42,374
Bureau of Information and Telecommunication	12,431	-	-	12,431
Bureau of Human Resources	-	-	-	-
Total FY15 Interagency Payments	53,739	-	2,713	56,452

Governor's Recommended Employee Compensation and Bureau Billings Pool -
 (page 01-24 of the Governor's FY17 budget book)

For FY17, the Governor recommended the funding for the state employee compensation plan and bureau billings 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 the decrease for health insurance.*

- Below are the estimated distributions for employee compensation for FY17. BFM will distribute dollars from the Pool after calculating the increase for salary policy and the decrease for employee health insurance. The distributed amount to the agency will be in addition to the agency's appropriated personal services budget.

FY17 Salary Policy Component	Object	General	Federal	Other	Total
Health Insurance	PS	(\$1,548)	\$0	(\$102)	(\$1,650)
Market Adjustment	PS	\$9,742	\$0	\$645	\$10,387
Movement Towards Market Value	PS	\$0	\$0	\$0	\$0
Health Insurance	OE	(\$93)	\$0	\$0	(\$93)
Market Adjustment	OE	\$207	\$0	\$0	\$207
Movement Towards Market Value	OE	\$164	\$0	\$0	\$164
Total		\$8,472	\$0	\$543	\$9,015

- Recommended FY17 – 2.7% market adjustment for all permanent employees (except Career Bands); 0%-2.7% 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; decrease of \$275 per benefitted employee for the employer-paid portion of the health insurance plan.
 - 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.
- Below are the estimated increases to the bureau billings for FY17. The amount distributed from the BFM pool to the agency will be in addition to the agency's appropriated contractual services budget.

Estimated FY17	General	Federal	Other	Total
Bureau Billing Adjustments	129	-	-	129