

# South Dakota Office of School and Public Lands



January 13<sup>th</sup> , 2016

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 Impaired, 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 757,524.731 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	\$4,594,479.77
SOUTH DAKOTA STATE UNIVERSITY	\$439,857.92
UNIVERSITY OF SOUTH DAKOTA	\$106,171.79
PUBLIC BUILDINGS	\$54,574.89
SDSU EXPERIMENTAL STATION	\$13,754.29
DOC JUVENILE PROGRAMS	\$23,952.25
SCHOOL FOR THE DEAF	\$43,984.64
SCHOOL FOR THE VISUALLY IMPAIRED	\$105,124.13
REDFIELD HOSPITAL AND SCHOOL	\$90,467.59
SCHOOL OF MINES	\$75,471.72
DAKOTA STATE UNIVERSITY	\$88,232.53
BLACK HILLS STATE UNIVERSITY	\$88,232.53
SPRINGFIELD	\$74,319.34
NORTHERN STATE UNIVERSITY	\$78,092.97
REDFIELD SD DEVELOPMENT CENTER	\$800.00
CORRECTIONS/PLANKINTON	\$6,940.00
<b>Total</b>	<b>\$5,884,456.36</b>

# Surface Division Highlights

- Record year for surface revenue at \$5.8 M up from \$4.9 M
- More than 79,426.28 acres of grazing and agricultural property located in 32 counties were leased at public auction
- Land rentals reached a record high of \$5.8 million
- 2016 auctions will be in March
- 2016 new AUM base rate estimated at \$19.32
- AUM History
  - 2015- \$17.21
  - 2014- \$14.68
  - 2013- \$13.72
  - 2012- \$12.94
  - 2011- \$11.07
  - 2010-\$10.82

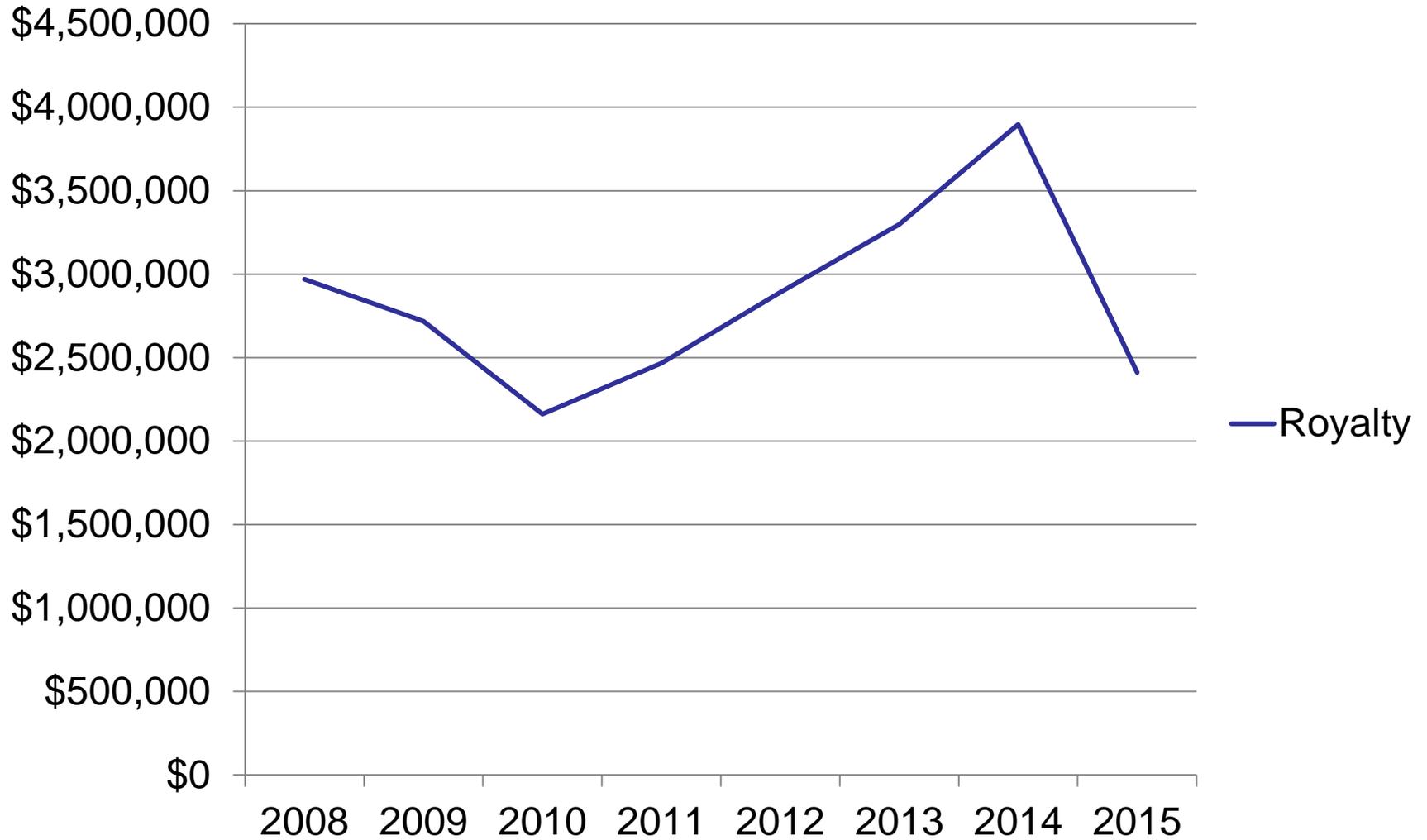
# Mineral Division

- 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	\$ 220,443.00
Oil & Gas Royalty (12.5%)	\$2,410,936.60
Mineral, Oil & Gas Bonus	\$ 77,245.00
Oil & Gas Miscellaneous	\$ 3,200.00
Interest	\$ 16,704.37
<b>TOTAL</b>	<b>\$2,728,528.91</b>

Money split \$1.36 M paid out and \$1.36 M to trust fund

# Oil and Gas Royalty



# 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

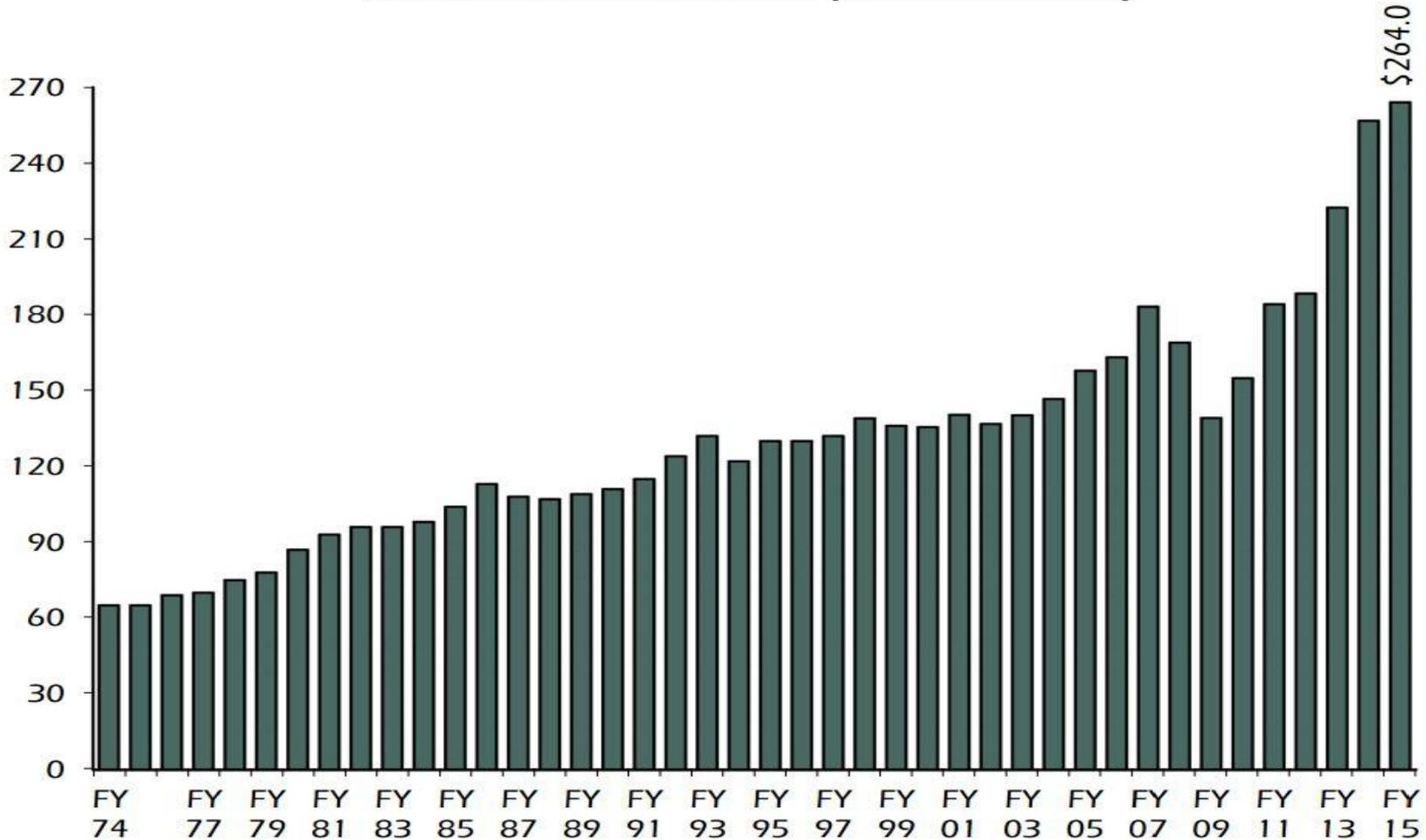
1. Adjust for inflation

- 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

## Asset Growth<sup>23</sup> (\$ in millions)



## Investment Income<sup>24</sup> (\$ in millions)

- 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.

# Dollars to Education

- K-12 money is earned in previous fiscal year. FY16 payout is revenue generated in FY15

- 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

- K-12 Schools in FY16- \$10,227,405.20

- FY16 payout will occur the first week of February

- Board of Regents- \$1,468,757.79

- Endowed Institutions- \$629,223.71

Total FY15 \$12,067,212.81

Total FY16 \$12.0 million estimated

# Dollars Returned to Universities

South Dakota State University	\$ 548,451.00
Dakota State University	\$ 182,134.64
University of South Dakota	\$ 236,041.00
SD School of Mines & Technology	\$ 136,603.51
Black Hills State University	\$ 182,134.64
Northern State University	<u>\$ 183,393.00</u>
<b>TOTAL</b>	<b>\$1,468,757.79</b>

# Dollars Returned to Endowed Institutions

Juvenile Corrections	\$ 87,615.46
SD & SVH Administrative Fund	\$ 44,462.23
Redfield Development Center	\$145,865.36
School for the Deaf	\$ 97,959.00
SDSU Experimental Station	\$ 63,839.81
School for the Visually Impaired	\$ 120,565.39
Human Services	\$ 68,916.46
<b>TOTAL</b>	<b>\$629,223.71</b>

# FY16-17 School and Public Lands Revenue Outlook

- 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 FY15-16 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

# FY16 completed work on dams

- 100 State owned dams under SPL built in the 1930's and 1940's
- In FY 14-16 \$500,000 appropriated for repairs/maintenance

– Elm Lake	\$305,593.46
– Richmond	\$13,169.12
– Hickman	\$122,918.05
– McGee	\$17,887.45
– Pudwell	\$5,992.50
– Coal Springs	\$19,909.27
– Thomas	\$2,091.24
– Rae	\$1,000

\*A \$20,000 grant from the Conservation Commission offset costs of Thomas and Rae dams and allowed these dams to be fixed thanks to their support

- Remaining \$12,438.91 from projects coming in under budget will be spent on an additional project this spring

# Elm Lake

Elm Lake is part of City of Aberdeen's Water Supply. Old valves to open and let out water not working properly and new valves installed



# Elm Lake Continued



Valve installation



Concrete reinforcement beams on outlet works and patching

# Hickman Dam



Siphoning System  
\$49,476 now owned by  
SPL for future projects



2009 Engineering Study conducted  
concrete swiss hammer tests at 5,940  
psi as quality concrete

High water flows in Northeast South  
Dakota have done significant damage

# McGee Dam



Bank stabilized with rock.

# Coal Springs Dam



Bank stabilized with rock

# Tree removal projects

Tree roots adjacent to spillways can cause concrete damage

Campbell Dam before and after



# Tree removal projects

Tree roots adjacent to spillways can cause concrete damage

Richmond Dam, Category 1 high hazard dam before and after



# Tree removal projects

Richland Township trees in Road Right-of-Way vehicle hazard



# FY17 Budget

- No new funds outside of Governor's budget recommendation
- Governor's recommendation includes a transfer in funds from personal to operating and a transfer and reduction in "other funds"
  - Net budget impact of transfer \$0
  - Expense staff time spent on weed and pest "other funds" to that fund consistent with other agencies and programs in state government
  - Transfer savings in general fund from personal to operations to cover projects that generate higher income for schools
- Reduction in other funds authority in weed and pest fund to be better aligned with actual revenue received
  - Net Budget Reduction of \$52,050
  - Matches budget with projected revenues

# Special Appropriation-HB 1024

- \$250,000 for dams recommended by Governor's Budget
- Money focused on chip sealing and crack repair to prevent further breakage of spillway concrete and other important dam projects
- Focus on high value dams first and dams with cracking based on DENR Engineering Reports

# Crack Sealing



Potts Dam- Crack sealed dam



Wanalain- Crack sealed dam

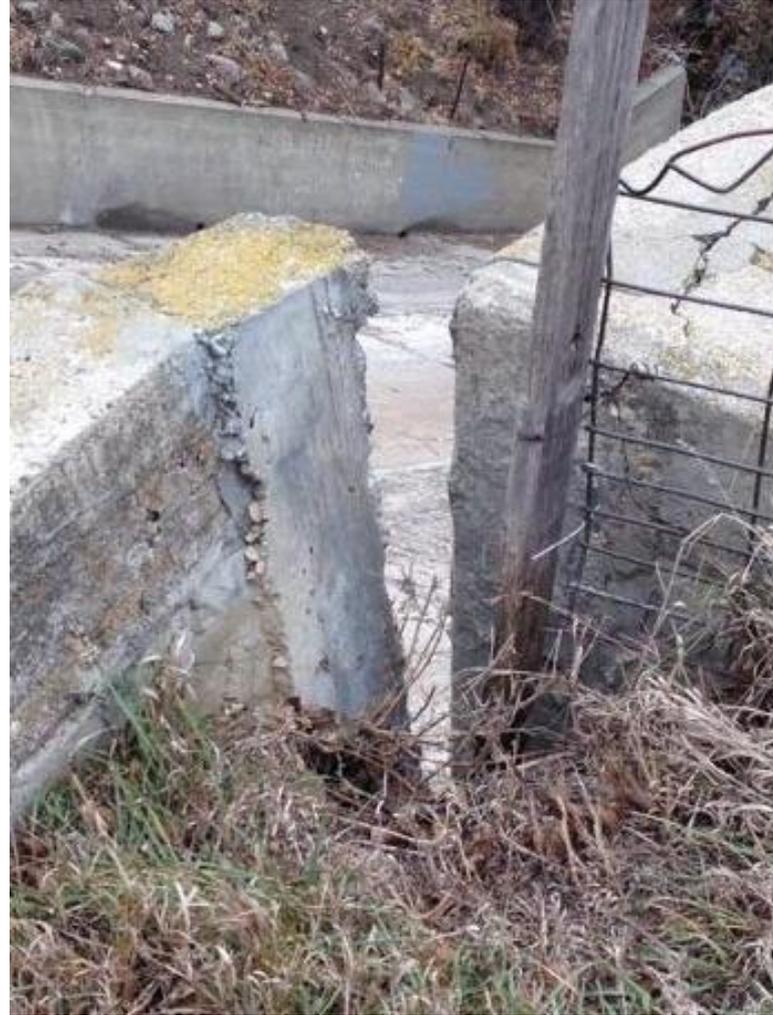
## Richmond Dam- Category 1 High Hazard Dam by Aberdeen.



Cracks need sealed. Vegetation root growth, freeze/thaw, and water seepage



Hayes Dam crack in need of sealing



Lake Campbell Wing wall separation

# FY16 and 17 Planned Land Sales/Exchanges

- FY 16 completed two additional sales of three properties in Yankton County for the benefit of HSC. Part of report/meeting with GOAC on 10/30/15.
  - \$395,000 on 11.27 acres to the City of Yankton adjacent to previously sold 35.97 acres from 2012
  - \$102,000 for 24.75 acres of tree land sold at auction. (Appraised price \$82,000)
- FY17 Land Sales pending legislation this session
  - Sully County Land when requested by State Historical Society (HB 1014)
  - SDSU Land in Brookings County (SB 12)
  - Additional Land at Yankton
  - Additional Land at Redfield
- FY17 Land Sales with existing or not needing legislation
  - 20 acres at Blunt reverted to SPL
  - 15 acres to city of Hoven for a landfill expansion
  - 40 acres at Custer. (Approximate pending survey currently being conducted)
  - 8.81 acres in Spink County of abandoned Railroad Right of Way
- Land exchanges/transfers under consideration

# F16-17 School and Public Lands Recap

- Revenue projections
- Internal budget reallocation but no new funds
- Special appropriation
- Land sales and exchanges
- Dams
- [New School and Public Lands GIS Map](#)

# Questions