APPROPRIATIONS COMMITTEE

Study Assignment

A continuing review of the appropriations process, a study of the funding and fund balance of the state's adjustment training centers, a study of community-based mental health services, and a study of the state's salary structure with respect to competitiveness within state government and also with other units of government and the private sector. The study should also examine recruitment and retention issues.

Summary of Interim

If more federal or other funds are available to the state than were provided in the General Appropriations Act, the additional funds may not be spent without approval of the Interim Appropriations Committee pursuant to SDCL 4-8B-10. Expenditure authority grants during the interim were as follows:

1. $580,000 of FY2001 other fund expenditure authority to the Department of Revenue for the production of the 2000 motor vehicle license plates, trailer plates and commercial plates;

2. $15,000,000 of FY2001 other fund expenditure authority and $32,500,000 of FY2001 federal fund expenditure authority to the Department of Social Services for the nursing facilities budget---this allows the state to claim federal Medicaid funding and meet the required state match;

3. $4,713,430 of FY2001 federal fund expenditure authority and $12,966,322 of FY2001 federal fund expenditure authority to the Board of Regents---the School of Medicine had the largest share of the grants, mostly for a fetal alcohol study---the rest of the grants were mostly for distance learning, particularly at Northern State University;

4. $1,452,792 of FY2001 federal fund expenditure authority to the Department of Human Services to cover increased costs of pharmaceuticals and medical supplies;

5. $400,000 of FY2001 other fund expenditure authority to the Department of Tourism to allow for the expenditure of tourism promotion revenues---the revenues are to be spent on Internet development, technology in reservation systems, and marketing and research;

6. $300,000 of FY2001 other fund expenditure authority to the Department of Military and Veterans' Affairs to cover increased costs associated with caring for residents at the State Veterans' Home;

7. $3,000,000 of FY2001 federal fund expenditure authority to the Department of Education and Cultural Affairs to allow DECA to distribute the federal grants to school districts;

8. $27,000 of FY2001 federal fund expenditure authority and $110,000 of FY2002 federal fund expenditure authority to the Department of Commerce and Regulation, Office of the State Fire Marshal, to allow for the expenditure of grants from FEMA for training courses;

9. $1,000,000 of FY2001 other fund expenditure authority and $1,200,000 of FY2002 other fund expenditure authority to the Board of Regents to utilize a grant from the United States Department of Education to make education accessible to South Dakota residents who are unable to relocate to one of the Board of Regents' campuses;

10. $19,013 of FY2001 other fund expenditure authority and $19,500 of FY2002 other fund expenditure authority to the Department of School and Public Lands to utilize a weed grant from the United States Department of Agriculture to fight leafy spurge in Harding and Butte Counties;

11. $1,000,000 of FY2002 federal fund expenditure authority to the Office of the Attorney General to utilize a grant to develop technologies and automated systems to assist state and local law enforcement agencies in investigating, responding to, and preventing crime;

12. $176,000 of FY2002 federal fund expenditure authority and $325,985 of FY2002 other fund expenditure authority and 5.8 FTE to the Department of Game, Fish, and Parks for the operation and maintenance to three additional Missouri River recreation areas;

13. $6,400,000 of FY2002 other fund expenditure authority to the Board of Regents for the Al Neuharth Media Center and Old Main Renovation projects;

14. $6,726,277 of FY2002 other fund expenditure authority and 64.0 FTE to the Department of Health to deliver health care services to the adult and juvenile inmates in the care and custody of the Department of Corrections;

15. $975,832 of FY2002 other fund expenditure authority and 14.0 FTE to the Department of Human Services to provide mental health services to the adult inmates in the care and custody of the Department of Corrections;

16. $600,000 of federal fund expenditure authority and $90,000 of other fund expenditure authority to the Office of the Attorney General. The federal fund expenditure authority is to allow for the pass-through of federal grants to other state agencies that have Byrne funded projects. The other fund expenditure authority is allow the expenditure of funds from the consumer settlement fund to return to consumers those items that were held by D&J Glass in Sioux Falls.

17. $700,000 of federal fund expenditure authority to the Department of Human Services in order to utilize the Medicaid infrastructure grant ($500,000) and to utilize the family support grant ($200,000);

18. $85,000 of other fund expenditure authority to the Office of School and Public Lands in order to spend the funds in the weed and pest control fund;

19. $1,307,867 of federal fund expenditure authority to conduct mountain pine beetle suppression work on state and private forest lands in the Black Hills and to implement the national fire plan in South Dakota;

20. $874,000 of federal fund expenditure authority to the Department of Corrections for the winter project in Custer State Park using inmates to clear trees, create fire lanes and trails, tree thinning, and slash pile cleanup;

21. $265,000 of federal fund expenditure authority to the Department of Corrections to utilize Byrne funds for computer hardware to improve communications in the Department of Corrections;

22. $2,000,000 of federal fund expenditure authority to the Department of Corrections to utilize Title XIX funding for the juvenile programs;

23. $195,000 of other fund expenditure authority to the Department of Corrections for four tuckpointing crews that were unbudgeted for in the FY2002 budget;

24. $973,913 of other fund expenditure authority and $7,374,533 of federal fund expenditure authority to the Department of Commerce and Regulation, Highway Patrol, to upgrade communication systems and in-car video systems.

The committee failed to approve $165,000 of other fund expenditure authority and $87,000 of federal fund expenditure authority to the Department of Corrections for the purchase of 25,000 weather radios to be distributed around the state by emergency management.

Adjustment Training Centers

Mr. Rich Hornak, Department of Legislative Audit, presented the committee with financial data about the adjustment training centers (ATCs) in South Dakota. ATCs provide vocational opportunities and residential options for individuals who need help to integrate as independently as possible into a community. The following information was presented to the committee.

Selected Balance Sheet Accounts, FYs 1996-2000

Adjustment Training Centers	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000
ATC 1, Unrestricted Cash Balance	$ 152,515	$ 168,498	$ 93,019	$ 358,491	$ 347,753
As a % of Annual Expenditures	4.2%	3.9%	2.1%	7.9%	7.3%
ATC 2, Unrestricted Cash Balance	$ 209,790	$ 155,083	$ 171,470	$ 178,053	$ 150,744
As a % of Annual Expenditures	6.7%	4.5%	4.7%	4.8%	3.9%
ATC 3, Unrestricted Cash Balance	$ 293,203	$ 269,956	$ 212,662	$ 201,847	$ 217,845
As a % of Annual Expenditures	23.1%	21.4%	15.2%	13.5%	14.6%
ATC 4, Unrestricted Cash Balance	$ 125,513	$ 79,413	$ 87,339	$ 191,756	$ 298,963
As a % of Annual Expenditures	14.3%	9.1%	9.4%	18.5%	24.9%
ATC 5, Unrestricted Cash Balance	$ 362,479	$ 405,636	$ 298,563	$ 193,731	$ 261,795
As a % of Annual Expenditures	8.2%	8.0%	5.6%	3.4%	4.2%
ATC 6, Unrestricted Cash Balance	$ 266,604	$ 279,967	$ 226,811	$ 154,849	$ 189,354
As a % of Annual Expenditures	14.3%	14.2%	10.8%	7.2%	8.9%
ATC 7, Unrestricted Cash Balance	$ 891,583	$ 670,038	$ 903,349	$ 809,619	$ 1,268,805
As a % of Annual Expenditures	19.6%	13.9%	18.1%	15.7%	24.4%
ATC 8, Unrestricted Cash Balance	$ 300,135	$ 329,957	$ 275,658	$ 313,878	$ 402,886
As a % of Annual Expenditures	30.7%	32.3%	25.2%	26.4%	32.3%
ATC 9, Unrestricted Cash Balance	$ 240,725	$ 217,099	$ 285,651	$ 427,918	$ 542,139
As a % of Annual Expenditures	7.4%	5.2%	6.4%	9.4%	11.8%
ATC 10, Unrestricted Cash Balance	$ 595,140	$ 556,033	$ 906,002	$ 857,777	$ 1,062,326
As a % of Annual Expenditures	38.8%	27.9%	41.3%	34.7%	42.4%
ATC 11, Unrestricted Cash Balance	$ 132,487	$ 141,559	$ 19,768	$ 40,950	$ 48,209
As a % of Annual Expenditures	14.4%	14.2%	1.8%	3.4%	3.8%
ATC 12, Unrestricted Cash Balance	$ 191,698	$ 239,746	$ 253,014	$ 157,420	$ 227,480
As a % of Annual Expenditures	11.6%	16.0%	14.5%	7.8%	9.9%
ATC 13, Unrestricted Cash Balance	$ 309,856	$ 388,083	$ 319,903	$ 310,266	$ 427,288
As a % of Annual Expenditures	15.9%	19.5%	14.7%	13.7%	18.1%
Average, Unresricted Cash Balace	$ 313,210	$ 300,082	$ 311,785	$ 322,812	$ 418,891
As a % of Annual Expenditures	16.1%	14.6%	13.1%	12.8%	15.9%

Currently, the ATCs select their own accounting firms to perform audits. Mr. John Jones, Secretary, Department of Human Services, noted that the department does receive copies of the audit reports. It is department policy to allow a 90-day reserve for the ATCs. The department reviews the financial statements received from the ATCs, with on-site reviews, if necessary. The department also receives a cost report every three years.

Mr. Hornak indicated that he would want the Office of Attorney General to clarify whether the Department of Legislative Audit has statutory authority to audit anything other than general fund revenues and expenditures within an ATC. In response to committee questions, Mr. Hornak indicated that it would not be a good practice to audit only one source of funding because it would be very difficult to reach any valid conclusions based on one piece of information.

The committee did not take action on this issue.

Community Mental Health Centers

During its summer tour of the eastern part of the state, the Joint Committee on Appropriations visited the Lewis and Clark Behavioral Health Services Center in Yankton. Dr. Thomas Stanage, executive director, explained the services provided by the Lewis and Clark Center. Mr. Terry

Dosch, executive director of the South Dakota Council of Community Mental Health Centers, provided the committee with a statewide review of mental health services.

Mr. Dosch explained that South Dakota is served by eleven community mental health centers (CMHCs) . They are located in Aberdeen, Brookings, Huron, Lemmon, Mitchell, Pierre, Rapid City, Sioux Falls, Watertown, Winner, and Yankton. Each center is assigned an area of one to several counties. The CMHCs collectively cover the entire state. Each center is organized as a private, nonprofit entity. The centers are governed by a local board of directors selected from the region that the center serves. Mr. Dosch believes that local control guarantees responsiveness to community needs.

CMHCs provide out-patient services and transitional care. Emergency care is provided twenty-four hours a day, seven days a week. A center may employ psychiatrists, psychologists, nurses, physicians' assistants, social workers, counselors, and case managers. Services are provided to adults with major mental illness, children, professionals in the business, legal, and medical communities, and to other communities.

The centers are biennially accredited by the Division of Mental Health in the Department of Human Services. Accreditation is a prerequisite to providing contractual services to the state. Mr. Dosch stated that the accreditation process ensures that quality care is provided to the public.

According to Mr. Dosch, an estimated 14,200 clients will have been served by the community-based mental health system. More than 3,300 of those clients are expected to be children. The number of persons served has steadily increased over the past several years. He said that while the state has dedicated new money for new programs (such as IMPACT and indigent medication), it has not increased the reimbursement rates for older services. The state Council of Mental Health Centers is presently working with the Division of Mental Health to review and update the state's rate structure.

The committee took no action on this issue. The committee may further study this issue during future budget hearings of the Department of Human Services.

State's Salary Structure

During its fall tour of the Black Hills, the Joint Committee on Appropriations heard testimony from Bureau of Personnel (BOP) Commissioner Sandra Zinter, along with Sandy Jorgensen from BOP's compensation division and Larry Kucker from the benefits division. They briefed the committee on the state's compensation policy. Ms. Jorgensen started the presentation by outlining the need for a pay system. A system should be designed to help ensure there is no discrimination, to pay employees properly and fairly, and to establish a human resources base that can be used for future budgeting.

Prior to 1990, there was no uniform pay system. Salary policy was made after other budgetary concerns were addressed. Starting in 1990, the State has used a Performance and Compensation Equity (PACE) System. PACE is composed of an annual salary adjustment (most recently it has been 3.0 percent), longevity, and a 2.5 percent increase for those employee salaries that are not at job worth. The system links the state's ability to pay with its goals. Those goals include a salary policy that is competitive with the private, in-state market and developing

a consistent salary range.
Salaries are determined with the use of surveys of the larger job markets in the state and with data provided by the Department of Labor. Currently 25 percent of the state's payroll is in the form of cash benefits (premiums and contributions for Social Security, insurance, and workers' compensation) and 11.5 percent is in the form of non-cash benefits (holidays, vacation, and sick leave).

Ms. Jorgensen explained that job worth is defined as the amount that the state can afford to pay. Most employees are hired at a salary or wage rate that is less than job worth. Over the next seven years, an employee receives an annual adjustment and a 2.5 percent movement to job worth until they reach the level of job worth. Afterwards the employee receives the annual adjustment and a longevity payment on their employment anniversary. Currently 46 percent of the state's work force is paid below job worth. Thirty percent is paid at job worth, and 23 percent is paid above. Committee members questioned the precision of using the word "job worth" because it may mislead some employees when they are paid less than that amount.

The state compares its salaries and wages to private employers in the state and to surrounding state governments. Ms. Jorgensen provided information to the committee which compared starting salaries offered by the state, private in-state employers, and adjacent state governments. The data showed that as job skills increase and as jobs become more desirable to employers (such as engineers and nurse positions), South Dakota's competitiveness has a tendency to decrease.

In FY 1999 there were 14,171 applicants for state positions. In FY 2000 there were 13,164 applicants, a decrease of 1,007 (7.1 percent) from FY 1999. In FY 2001 there were 14,963 applicants, an increase of 1,799 (13.7 percent) from FY 2000.

The committee was provided the following information regarding turnover rates.

Turnover Rates, FYs 2000 - 2001

	FY 2000	FY 2001
Resignations	10.0%	8.2%
Retirements	1.4%	1.9%
Involuntary	1.8%	1.8%
TOTAL	13.2%	11.8%

Mr. Ken Melius, executive director of the South Dakota State Employees Organization (SDSEO), testified that SDSEO supports the state's PACE compensation plan. Mr. Melius also testified that SDSEO appreciates the stability of the PACE system. He provided the committee with salary and benefits data that compared public employees to their counterparts in the private sector within the state and to public employees in neighboring states. Mr. Melius commented that dental coverage is an important benefit to employees.

The committee took no action on this issue.

Listing of Legislation Adopted

None.

Summary of Meeting Dates & Places and Listing of Committee Members.

The committee met three times during the 2001 interim. The first meeting was held in Pierre on May 21. The second meeting was held in Camp Rapid in conjunction with the West River Tour on October 10. The third meeting was held in Pierre on December 20.

Committee members included Senator Bob Drake, Co-Chair; Representative Mitch Richter, Co-Chair; Senators Jerry Apa, H. Paul Dennert, Robert Duxbury, Brock Greenfield, Marguerite Kleven, John Koskan, Cheryl Madden, and J.E. "Jim" Putnam (Vice-chair); Representatives Stan Adelstein, Quinten Burg, Judy Clark, Michael Derby (Vice-chair), Ted Klaudt, Gerald Lange, Willard Pummel, and Duane Sutton.

Staff members included Dale Bertsch, Chief Analyst for Fiscal Research and Budget Analysis; Mark Zickrick, Principal Fiscal Analyst; David Becker, Senior Fiscal Analyst; Reed Holwegner, Senior Fiscal Analyst; Annie Mertz, Senior Fiscal Analyst; and Rhonda Purkapile, Senior Legislative Secretary.