



# **Legislative Research Council**

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## **FORTY-NINTH INTERIM REPORT November 2005**

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**500 East Capitol, Pierre, South Dakota 57501-5070**  
**<http://legis.state.sd.us>**

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# Appropriations Committee

## Study Assignment

A continuing review of the appropriations process.

## Summary of Interim

The Special Committee on Appropriations did not approve any additional expenditures for either FY 2005 or FY 2006.

On June 6, 2005, the Committee heard testimony from the Department of Social Services about the provisions of Medicare Part D, the "clawback" provision. The Committee also heard from the Board of Regents regarding the South Dakota Opportunity Scholarship Program. From the graduation high school class of 2004, 832 students received scholarships. Data for 2005 would be available later after being finalized.

## Listing of Legislation Adopted

None.

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

The Committee met on June 26. The Committee conducted two tours of the state. The East River Tour, held during July 25-27, met in Aberdeen (E-Learning Center at Northern State University), Huron (State Fair), Brookings (Certified Beef Program at South Dakota State University), Sioux Falls (Southeast Technical Institute, Communication Service for the Deaf, School for the Deaf, State Penitentiary, Outdoor Campus—Department of Game, Fish, & Parks) Chancellor (Great Plains Ethanol), Vermillion (School of Medicine—University of South Dakota), and Springfield (Mike Durfee State Prison). The West River/Black Hills Tour, held during October 6-7, met in Hot Springs (State Veterans' Home), Custer State Park, and Rapid City (Minimum Security Trustee Unit—Department of Corrections, RESPEC Engineering, Inc., National Guard Camp, South Dakota School of Mines & Technology, and the Black Hills Workshop and Training Center).

Committee members included: Senators Jerry Apa (Co-Chair), Julie Bartling, William Earley (Vice Chair), Jason Gant, Brock Greenfield, Gary Hanson, William Napoli, Orville Smidt, and Duane Sutton; and Representatives H. Paul Dennert, Mary Glenski, Jeffrey Haverly, Jean Hunhoff, Ted Klaudt (Vice Chair), Deb Peters, J.E. "Jim" Putnam (Co-Chair), Val Rausch, and Larry Tidemann.

Staff members included: Reed Holwegner, Chief Fiscal Analyst; Mark Zickrick, Principal Fiscal Analyst; Anne Mehlhaff, Principal Fiscal Analyst; Sue Cichos, Senior Fiscal Analyst; Aaron Olson, Fiscal Analyst; and Teri Retrum, Senior Legislative Secretary.

# Classifications of Real Property Study Committee

## Study Assignment

A study of real property classifications and the criteria used to establish such classes of property. The Legislature is empowered to classify properties within school districts into separate classes for purposes of school taxation pursuant to Article VIII, section 15 of the South Dakota Constitution. The study shall evaluate the existing classifications of property and determine whether additional classifications of property should be created. The feasibility of establishing property classifications for cropland, noncropland (grazing), commercial, recreation, and speculation should be evaluated. Furthermore, a review of the criteria or thresholds used to determine whether property may be classified as agricultural property should be examined. No study involving the agricultural income valuation system should be included.

## Summary of Interim

During the first meeting on June 28, Fred Baatz, gave an overview of the changes in the property assessment and taxation system in South Dakota during the last twenty years. In 1989, a major overhaul of property taxation system occurred and the property tax freeze was implemented. Property was required to be assessed at 85 percent of its taxable value and the maximum property tax levies for local governments were adjusted.

Harvey Kistler and Kyle Helseth, who analyze property sales for the Department of Revenue and Regulation, stated that the motivation of buyers and sellers of agricultural property over the past 40-50 years has not really changed on either side of the river. They presented data from 508 recent transfers (last nine months) of agricultural property from the following counties: Butte, Custer, Dewey, Haakon, Harding, Jackson, Meade and Perkins. Of the 508 sales, 424 of the sellers and 395 of the buyers were South Dakota residents. The vast majority of the out-of-state buyers were children of South Dakota residents. The average size of acreage transferred was 808 acres. The smallest parcel was 5 acres and the largest parcel was 13,150 acres, which was purchased by a neighboring ranch owner. Of the 508 sales, 269 were transfers between related parties and 239 were arms-length transactions. Ninety-two percent of the agricultural property transferred was to South Dakota residents who were going to actively operate the property. The majority of out-of-state sellers had been South Dakota residents who had inherited the land. Historically, the buyers are relatives and neighbors and the out-of-state buyers are typically from bordering states.

Michael Kenyon, from the Department of Revenue and Regulation, spoke about changes in agricultural land values from 2001 to 2004 based on information obtained from the National Agricultural Statistics Service (NASS). In 2001, the NASS value of agricultural land in South Dakota was \$15 billion compared to an assessed value of \$12.7 billion. In 2004, the NASS value had grown to \$20.8 billion compared to an assessed value of \$15.5 billion. He noted over the last four years the NASS value had grown by \$5.3 billion, whereas the assessed values only increased by \$2.3 billion.

Don Guthmiller, Jack Davis, Stacy Hadrick, and Bart Krautschun who are extension educators or extension specialists, distributed a summary of SDSU's annual Farm Real Estate report. According to the survey, cropland and rangeland values per acre have doubled since 1998

and nearly tripled since 1991. Over the past two to four years, pastureland and rangeland have increased in value more than cropland in the northeastern part of the state while west of the James River pastureland is being converted to cropland. They stated that if land has a hunting value, it often sells for 20 to 25% more than normal. According to the survey, agricultural land values increased 20.3% from 2004 to 2005, exceeding the 17.1% increase from 2003 to 2004. In areas of the state that are experiencing drought, some individuals are buying agricultural land just to get access to water.

The second meeting of the interim committee was on Thursday, September 8, 2005. Doug Hansen and Paul Coughlin, from the Department of Game, Fish and Parks, presented information concerning the types of land that the department owns and manages, the tax status of the land, and the acres enrolled in private shooting preserves.

Brian McGinnis, Third Planning & Development District; Phil Kappen, Minnehaha County Assistant Planning Director; and Sam Trebilcock, Transportation Planner for the City of Sioux Falls, provided a primer to the committee on planning and zoning and how it may relate to agricultural land. They stated that in the 1970's zoning was first initiated, especially in the eastern part of the state. Today, a total of forty-six counties utilize zoning. However, only six West River counties utilize zoning while only four East River counties do not utilize zoning.

Carter Anderson, State Director of the National Agricultural Statistics Service (NASS), stated that the NASS is the data collection arm for the U.S. Department of Agriculture. Over the past six years the value of South Dakota's cropland increased 55% and pasture land increased 53%. Over the same time period, cash rents for cropland increased 27% and pasture land increased 12%. He stated that 3,500 surveys are annually mailed to farmers and ranchers and the NASS works to obtain a minimum of thirty responses per county. The descriptive statistics include the averages for the most recent year, the three year average, the minimum and maximum value, and the most frequently reported value.

Joel Wendell, Fall River and Shannon County Director of Equalization, stated that Fall River County currently assesses property at 99.5% of its value based on the market data that the county is permitted to use pursuant to state law. In reality, Fall River County is at 41.6% of its market value. Agricultural land valuations remain very stable because of the NA-Z, 150% and 70 acre rules. The nonagricultural property in Fall River County is actually assessed at less than 70% of its market value, however, because of the 150% rule, the sales to the assessment shows that the nonagricultural property is assessed at more than 99% of its market value. He stated that the NA-Z and 150% rules are often confused; however, the rules are different concepts and formulas. Many counties do not have enough "good" agricultural sales to value agricultural property; therefore counties must either use the income approach or bridge to other counties to value property. Dick Kallemeyn, the Minnehaha County Director of Equalization, reported that Minnehaha County has not had a good agricultural sale this year or last year because of the NA-Z, 150%, and 70 acre rules.

The primary focus of the November 3, 2005, meeting was to discuss the draft legislation. The committee, several directors of equalization, and interested parties discussed how creating additional classifications of property would affect the assessment process and the taxation of agricultural property if such property was divided into more than one class.

The committee reviewed three legislative proposals and approved two. Each draft provided an

alternative proposal for creating additional classifications of property.

### **Listing of Legislation Adopted**

1. An Act to create additional classifications of property and to revise certain provisions concerning the taxation of certain property.

This legislation creates two classes of agricultural land. Currently, the standard for qualifying as agricultural land is whether the land meets two of the three criteria established by SDCL 10-6-31.3. In the proposed draft, class one land would have to meet all three criteria and class two land would have to meet two of the three criteria. This draft also increases the minimum number of acres that a piece of land would have to comprise before it meets criterion of a minimum size to qualify as class one land. The method to measure farm income that is the basis for one of the criteria is also amended. A rate of taxation for the general fund levy of schools for each class of agricultural land is also established. Finally there is some clarification and cleanup of several code sections.

2. An Act to permit the immediate reclassification of nonagricultural acreage property under certain circumstances.

If agricultural land is purchased at a price that causes the land to be classified as a nonagricultural acreage (NA-Z) and the land is immediately converted to another use that would result in the property in having an assessed value that is higher than the NA-Z assessed value, the assessor may immediately reclassify such property to another classification pursuant to this legislation.

### **Summary of Meeting Dates & Places and Listing of Committee Members**

The committee met on June 28, September 8, and November 3. The committee meetings were located in Pierre.

Committee Members Were: Senator Jim Lintz, Chair, Representative Hal Wick, Vice Chair; Senators Jim Hundstad, Kenneth McNenny, and Jim Peterson; Representatives Joel Dykstra, Art Fryslie, Thomas Glover, Dale Hargens, Gordon Howie, Barry Jensen, Alice McCoy, Casey Murschel, Paul Nelson, Larry Rhoden, and Charles Turbiville.

Staff members were: Fred Baatz, Principal Research Analyst and Kris Schneider, Legislative Secretary.

# Constitutional Revision Commission

## Commission Assignment

The Commission was created by legislation passed by the 2004 Legislature. The Commission was directed to conduct a comprehensive study of the legislative article (Article III) of the South Dakota Constitution and the related statutes pertaining to the Legislature and to consider and recommend legislation for the improvement of the legislative article and the related statutes pertaining to the Legislature. At the request of the Commission, the 2005 Legislature extended the Commission's study until the end of 2006. The Commission is required to make an interim report to the 2006 Legislature including any proposed amendments to the Constitution for the 2006 general election and to make a final report of its findings and recommendations to the 2007 Legislature.

## Summary of Commission Activities

The Commission began its study by reviewing the provisions of Article III of the Constitution and receiving information on how South Dakota's legislative process compares with other states. Mr. Karl Kurtz, Director of State Services for NCSL presented to the Commission information comparing South Dakota's Legislature to the legislatures of other states. Mr. Kurtz also talked to the Commission about a study that is being conducted by NCSL regarding the effect of term limits. Professor Michael Libonati from Temple University, courtesy of the Council of State Governments, also made a presentation to the Commission. Professor Libonati gave the Commission an analysis of how the legislative article of the South Dakota Constitution compares with the legislative articles in other states and highlighted the strengths and weaknesses of our state's legislative article.

The Commission reviewed the background and history of each section of Article III. The provisions of the article were also compared with the provisions found in the legislative article of the Model State Constitution. In addition, the Commission took a look at the recommendations to Article III that were made by the Constitutional Revision Commission in 1974 and by the Legislative Article Review Commission in 1996. Recognizing that the changes to Article III recommended by these former Commissions were not adopted, the Commission decided early on in its deliberations to try to categorize any possible improvements into two categories. One category includes those minor improvements which would not be considered controversial and which try to address obsolete and antiquated provisions and provisions that need to be updated to allow the Legislature to operate more efficiently. The other category includes those improvements that would be more substantive changes and potentially more controversial. The Commission's goal was to try to address the "clean-up" improvements before making any recommendations regarding substantive changes.

The Commission is recommending to the 2006 Legislature three joint resolutions that it believes the Legislature should consider for placement on the 2006 general election ballot. These joint resolutions are viewed by the Commission as principally a "clean-up" to Article III which should be adopted before any further substantive changes to Article III are considered by the voters in the 2008 general election. These changes were shared with all legislators and all parties on the Commission's interested parties list prior to being recommended by the Commission. There were no objections raised to these proposed changes. Copies of those

joint resolutions are attached.

For 2006, the Commission is planning on completing its analysis of substantive issues in Article III. Those issues that the Commission will be considering are legislator qualifications, the oath taken by legislators, term limits, conflict of interest, legislative reapportionment, single member districts, length of legislative terms, legislative compensation, and requirements for initiatives and referendums. The Commission has already had considerable discussion regarding legislative reapportionment and legislative conflicts of interest. At one of its early meetings, Mr. Reuben Bezpaletz presented the background information on constitutional provisions regarding legislative redistricting and on the various court decisions that have an effect on legislative redistricting. Commission Member Mark Barnett at that meeting presented background information on constitutional provisions regarding legislator conflicts of interest and on the various court decisions that help define those provisions. The Commission eventually appointed subcommittees on each of these issues to collect more background information and to work on possible options for the Commission to consider. The Commission has also appointed a subcommittee to take a closer look at how legislative compensation in South Dakota compares with other states and a subcommittee to review and make recommendations regarding the oath taken by legislators. The Commission will be reporting any suggested changes regarding these issues to the 2007 Legislature.

Also for 2006, the Commission is planning to work with the Legislature to help inform the voters about the Commission's recommendations appearing on the 2006 general election ballot. The Commission strongly feels that public education is a key element to the passage of these ballot measures.

### **Listing of Joint Resolutions Recommended**

A joint resolution to revise certain constitutional provisions regarding the Legislature.

A joint resolution to revise certain constitutional provisions regarding private and special laws.

A joint resolution to repeal certain voided constitutional provisions regarding term limits for United States senators and representatives.

### **Summary of Meeting Dates and Listing of Commission Members**

The Commission met on August 12, October 20 and 21, and December 16, 2004 and on April 20 and 21, September 14 and 15, and November 16 and 17, 2005. All Commission meetings were held in the State Capitol Building in Pierre.

Commission members included Retired Supreme Court Chief Justice Robert Miller, Chair; Dr. Robert Burns, Co-vice Chair; Dr. Donald Dahlin, Co-vice Chair; Mr. James Abbott; Mr. Mark Barnett; Mr. Steve Cutler; Lieutenant Governor Dennis Daugaard; Mr. Robert Drake; Dr. Sean Flynn; Mr. Jim Hutmacher; Mr. Gene Lebrun; Mr. Larry Lucas; Ms. Mary McClure Bibby; Mr. Ronald Olinger; Mr. Robert Roe; Mr. Brent Wilbur; and Supreme Court Justice Steven Zinter.

Staff members included David L. Ortbahn, Principal Research Analyst; Reed Holwegner, Chief Fiscal Analyst; and Reuben D. Bezpaletz, Chief Analyst for Research and Legal Services.

# Department of Agriculture Agency Review Committee

## Study Assignment

An agency review of the Department of Agriculture, pursuant to SDCL 1-26E-2.

## Summary of Interim

The first meeting of the interim Department of Agriculture Agency Review Committee was held on Monday, June 13, 2005, at the State Capitol Building in Pierre, South Dakota.

The meeting began with opening remarks by the chair and vice chair about the interim review committee. Mr. Rueben Bezpaletz, Chief Analyst for Research and Legal Services, reviewed an outline of a typical study plan for interim review committees.

Secretary Larry Gabriel began the Department of Agriculture presentation and discussed with the committee the agency's mission, strategic plan, responsibilities, and budgeted funds and FTE's for the Office of the Secretary and the Department of Agriculture. Deputy Secretary George Williams explained his role and duties within the agency.

Mr. Kevin Fridley, director of Agriculture Services, gave an overview of the two offices within the division, Agronomy Services and Plant Protection and Dairy. Mr. Jon Farris, director of the Division of Agriculture Development, gave a brief history of Rural Rehab funds and discussed the different types of loan and grant programs available for agriculture uses within the division. Mr. Ray Sowers, director of Resource Conservation and Forestry, discussed the various programs and talked about some current and future insect epidemics that may affect South Dakota. Mr. Steve Hasenrol, Division of Wildland Fire Suppression, gave a brief history of why the division was created along with its responsibilities and reported on current fires in the Black Hills. Ms. Susan Hayward, State Fair Manager, discussed the mission, business plan, and gave a report of the upcoming State Fair.

The second meeting of the interim Department of Agriculture Agency Review Committee was held on Wednesday, July 13, 2005, at the State Capitol Building in Pierre, South Dakota.

Secretary Gabriel discussed the Department of Agriculture's involvement with SD Ag Producers Ventures and gave a brief history of the creation of the Value-Added Agriculture Sub Fund which is administered by the Board of Economic Development and the Governors Office of Economic Development. Mr. James Hagen, Secretary of the Department of Tourism and State Development, provided the committee with information about grants that SD Ag Producers Ventures had applied for and received from the Value-Added Agriculture Sub Fund of the Revolving Economic Development and Initiative Fund (REDI fund).

Secretary Gabriel and Ms. Susan Hayward reviewed the department's three-year plan for the South Dakota State Fair and responded to questions from the committee regarding the State Fair.

Mr. Jon Farris distributed copies of a Rural Rehabilitation Funds and talked about the Farm Mediation Program.

The committee then heard testimony from several boards and commissions that are required to report to the Secretary of the Department of Agriculture. The boards and commissions discussed their mission, responsibilities, and funding. The boards and commissions that testified were: SD State Fair Commission, Animal Industry Board, SD Veterinarian Medical Examiners, South Dakota Oilseeds Council, SD Brand Board, SD Soybean Research and Promotion, SD Wheat Commission, American Dairy Association, SD Conservation Commission, Seed Certification Board, SD Weed and Pest Commission, and SD Value Added Finance Authority.

The committee heard public testimony from various agricultural entities and individuals regarding the Department of Agriculture.

The final meeting of the interim Department of Agriculture Agency Review Committee was held on Thursday, October 13, 2005, at the State Capitol Building in Pierre, South Dakota.

The committee requested some additional information from the Department of Agriculture at the second meeting. Mr. Kevin Fridley and Mr. Neil Foster from South Dakota State University discussed with the committee the possibility of changing the composition of the Seed Certification Board members. Mr. George Williams informed the committee of the Office of Ag Policy's duties and responsibilities that have been created within statute. Secretary Gabriel responded to committee questions about the department's performance indicators that are displayed in the Governor's budget book.

Secretary Gabriel and Ms. Susan Hayward updated the committee on the current financial condition of the state fair. The department and the committee discussed options that could help the state fair become more financially stable, the status of the three year plan, and the Master Plan being developed for the state fair.

Mr. Brian Walt, President of the Corn Utilization Council, presented to the committee the council's mission, responsibilities, and funding, and stated that their primary focus was in research and marketing.

The committee reviewed three legislative proposals and approved one. The committee reviewed draft legislation that made form and style changes to certain agricultural statutes, limited the appropriation and certain transfers and expenditures of funds for the state fair, and repealed the farm mediation program. The meeting concluded with a committee discussion and directives to the Department of Agriculture.

The committee recommends to the Executive Board that the Department of Agriculture be continued; having found the department met the burden of establishing sufficient public need is present to justify its continued existence.

### **Listing of Legislation Adopted**

- An act to make form and style revisions to certain agricultural statutes.

### **Summary of Meeting Date & Places and Listing of Committee Members**

The committee met on June 13, July 13, and October 13 in the State Capitol in Pierre.

Committee members were: Representative Justin Davis, Chair; Senator Clarence Kooistra, Vice Chair; Representatives Thomas Brunner, Cooper Garnos, Gerald Lange, Ryan Olson, David Sigdestad, Larry Tidemann, and Mike Vehle.

Staff members were: Aaron Olson, Fiscal Analyst; Tom Magedanz, Principal Research Analyst; and Reta Rodman, Legislative Secretary.

# Department of Public Safety Agency Review

## Study Assignment

An agency review of the Department of Public Safety, pursuant to SDCL 1-26E-2.

## Summary of Interim

The 2005 Department of Public Safety Agency Review Committee met three times over three days at the State Capitol in Pierre. The Committee heard detailed descriptions of each division of the department. They posed extensive questions and reviewed and questioned the answers to them. The committee took public testimony and they delved into specific issues.

The first meeting of the interim committee was held on Friday, June 10, 2005, at the State Capitol in Pierre. The meeting was devoted to hearing detailed presentations of the department and each division of the department. The Department of Public Safety includes the Highway Patrol, Accident Records, Highway Safety, State Radio, Emergency Management, Emergency Medical Services, Fire Marshal, Weights and Measurers Inspection Program, Driver Licensing and Homeland Security. Secretary Tom Dravland began with an overview of the department, its mission and an introduction of key personnel. He stated the department's mission is "to keep South Dakota a safe place in which to live, work, visit and raise a family." Secretary Dravland also discussed the creation of the department by the Executive reorganization in 2003. He was followed by members of his management team, who described the functions carried out by their individual divisions and the current and future goals.

The second meeting was held on Monday, August 29, 2005, at the State Capitol in Pierre. The second meeting began with a continuation of the first meeting. The morning was spent discussing the division of Homeland Security including extensive questions about Homeland Security Grants. The state's Homeland Security office deals directly with state agencies, the sixty-six counties, and the nine tribal governments. They have some interaction with cities; however, the cities usually work through county government. The committee discussed the idea of a regionalized Homeland Security concept with a lead county. The committee and department also discussed the theory that data protection may become a higher priority. Following an addition to the agenda, the topic of the new federal driver's license act was discussed. The department briefed the committee on the REAL ID Act of 2005 – "Improved Security for Driver's License and Personal Identification Cards" that was signed by President Bush in May 2005. The department stated that South Dakota is in compliance with several of the requirements; however, there are still many unknowns regarding the Act. At this meeting the department also responded to the follow-up questions from the first meeting as well as many new questions during the second meeting. Additionally, the department provided an overview of the department goals, the functions to implement them and measurement criteria. The committee took testimony from the public on the experience they have had with the department on a variety of issues.

The third meeting was held on Monday, October 24, 2005, at the State Capitol in Pierre. The committee reviewed research and comparison materials regarding salaries and recruitment within the Highway Patrol. The committee compared the salaries of four South Dakota cities and twenty-five states with emphasis on the surrounding states for the positions of Trooper,

Sergeant and Major. The department also provided turnover rates and statistics for its positions of Trooper, Sergeant and Lieutenant. Following an extensive question and answer session, the committee concluded the salaries did not appear inadequate at this time and turnover rates are lower now than in years past. The committee asked the department to respond to two items added to the agenda. First the department further discussed its readiness to respond to large-scale disasters and the lessons learned from the recent Gulf Coast disasters. Additionally, the department addressed the issue of preparedness to handle a possible pandemic from the avian flu or human flu threats. The state's ability to respond is directly related to the level of training of responders and the public. Secretary Dravland indicated that cabinet members will be trained in incident command and all legislators should know the basics of emergency response. The committee went on to discuss the state's DUI system and statistics and results of a recent national study. The idea of forming a Work Group/Task Force to perform a comprehensive study of the state's current DUI enforcement and prosecution system was discussed by the committee and department. This type of group would at least include representatives in the areas of law enforcement, human services, and the judicial system. Secretary Dravland indicated his intent to discuss the idea of forming such a group with the administration.

At its conclusion, the committee recommended that members support the repeal of implied consent legislation during the 2006 Legislative session.

The committee further recommends that the department be continued; having found the department met the burden of establishing sufficient public need is present to justify its continued existence.

### **Summary of Meeting Dates & Places and Listing of Committee Members**

The committee met at the State Capitol in Pierre on June 10, 2005; August 29, 2005; and October 24, 2005.

Committee members were: Representative Gordon Pederson, Chair; Senator Dick Kelly, Vice Chair; Senators Gene Abdallah, J. P. Duniphan, and Frank Kloucek; and Representatives Jim Bradford, Michael Buckingham, Thomas Hennies, Jean Hunhoff, Shantel Krebs, Kathy Miles, Val Rausch, Donna Schafer, R. Shawn Tornow, and Mark Willadsen.

Committee staff members were: Sue Cichos, Senior Fiscal Analyst; and Kris Schneider, Legislative Secretary.

## **Government Operations and Audit Committee**

The Government Operations and Audit Committee was established by South Dakota Codified Laws (SDCL) 2-6-2. The Committee is appointed at each regular session of the Legislature. The Committee consists of ten members, five members from the Senate appointed by the President Pro Tempore of the Senate, one of whom shall be a member of the Judiciary Committee and five members from the House appointed by the Speaker of the House, one of whom shall be a member of the Judiciary Committee.

The responsibilities of the Committee are:

- To inquire and review any phase of the operations and the fiscal affairs of any department, institution, board or agency of the state;
- To examine records and vouchers, summon witnesses, examine expenditures and the general management of departments, as deemed necessary;
- To review any findings of abuse or neglect in a juvenile corrections facility;
- To make a continuing study of the operation of the state's correctional system; and,
- To make a detailed report to the Senate and House of Representatives and submit a copy of its report to the Appropriations Committee of each House of the Legislature at the next succeeding session of the Legislature or any special session of the Legislature upon request of the body.

### **Committee Activity**

The Committee conducted the following review and study activities during 2005:

- Reviewed audit reports
- Reviewed General Fund contract encumbrances
- Reviewed cash balances of various state funds
- Reviewed specific matters pertaining to various state agencies
- Reviewed quasi-governmental and non-profit entities
- Reviewed activities of the State Comptroller
- Reviewed the state executive aircraft purchase
- Reviewed juvenile corrections

### **Reviewed Audit Reports**

The Committee reviewed the South Dakota Single Audit Report for the fiscal year ended June 30, 2004 and separately issued audit reports issued during 2005. The following summarizes the actions that were taken by the Committee.

Financial and compliance audits involve testing financial transactions of the state to determine that all money is properly accounted for and expended in accordance with state and federal

laws and regulations. All audits conducted on state agencies were consolidated and reported in the Single Audit Report. The Single Audit Report includes the Comprehensive Annual Financial Report for the State of South Dakota prepared by the Bureau of Finance and Management, a schedule showing the federal awards administered by the state and related expenditures, and audit findings and recommendations issued by the Department of Legislative Audit.

The Single Audit Report was issued in accordance with Auditing Standards Generally Accepted in the United States of America, Government Auditing Standards issued by Comptroller General of the United States and South Dakota Codified Laws. A copy of this report may be obtained from the Department of Legislative Audit.

The Committee reviewed financial reporting, internal control and compliance deficiencies written on 11 state organizations, containing 23 recommendations for corrective action. Four recommendations related to violations of state laws and regulations; ten recommendations related to violations of federal laws and regulations; and, nine recommendations related to inadequate internal control procedures over receipts, revenue collections and expenditures and financial reporting.

The following represents the state agencies with audit findings and recommendations from fiscal years 2004 and 2003 and the implementation of fiscal year 2003 audit recommendations:

State Agency	Recommendations		
	Fiscal Year	Fiscal Year	FY2003 Imple-
	<u>2004</u>	<u>2003</u>	<u>mented</u>
Bureau of Finance and Management	1	0	N/A
Bureau of Information and Telecommunications	1	0	N/A
Department of Revenue and Regulations	1	0	N/A
Department of Agriculture	2	0	N/A
Department of Tourism and State Development	2	0	N/A
Department of Labor	2	0	N/A
Education, Department of	1	1	1
South Dakota School of Mines and Technology	2	0	N/A
Housing Development Authority	0	1	1
Military and Veterans Affairs, Department of	5	4	1
School and Public Lands	0	2	2
Social Services, Department of	6	7	1

N/A This agency did not have any FY 2003 audit recommendations.

The Committee sent letters to eight state agencies with audit findings and encouraged the state agencies to implement the audit recommendations. The Committee requested two state agencies to provide written reports to the Committee within thirty (30) days on the status of actions taken to implement the audit recommendations. Two state agencies with audit findings were asked to appear before the Committee to discuss the audit findings. The Committee requested that the Department of Legislative Audit obtain additional information on an audit finding for one state agency. The Committee continues to monitor the responses

and corrective actions taken by state agencies.

### **Reviewed General Fund Contract Encumbrances**

The Committee completed a review of general fund contract encumbrances that were in effect during fiscal year 2005. The general fund contract encumbrances included four fiscal year 2003 general fund contract carryovers totaling \$1,218,516 and 13 fiscal year 2004 general fund contract carryovers totaling \$13,767,173.

The Committee also reviewed general fund contract carryovers that are in effect during fiscal year 2006. The general fund contract encumbrances include two fiscal year 2004 general fund contract carryovers totaling \$173,413 and twenty-seven general fund contract carryovers from fiscal years 2005 totaling \$16,946,271. The Committee requested additional information on two fiscal year 2005 contracts. This continues to be an ongoing agenda item for the Committee.

### **Reviewed Cash Balances of State Funds**

A report was presented to the Committee providing the cash balances of state funds. The Committee selected three representative funds and requested condition statements be provided. After reviewing the condition statements of the sample funds, additional information concerning the future plans for expending resources out of the Future Fund and Railroad Trust Fund was requested by the Committee. The Committee requested additional information on five grants made from the Future Fund and also requested additional information on the deferred maintenance projects identified under the Railroad Trust Fund and a breakdown of contractual services covering a three year period.

### **Reviewed Specific Matters Pertaining to Various State Agencies**

#### **Department of Social Services - Division of Child Protection Services**

The Department of Social Services provided the Committee with background information on the state and federal laws, rules and regulations related to child protection services. The Committee was informed that the mission for child protection services was to strive to assure the safety, permanency, and well-being of all children served by the division. Various aspects of the division were discussed including: number of referrals and the referral process; safety interventions; alternative care; adoptive services; licensed foster care homes; intensive family services; central registry for substantiated reports of abuse and neglect; initial family assessments; and departmental financing. The Committee received public testimony at several meetings concerning the operations of the Division of Child Protection Services. Further discussions were held to address various Committee member questions and this continues to be an ongoing agenda item. This review resulted in the committee approving the following draft legislative bill to be presented to the Executive Board of the Legislative Research Council.

An Act to provide the notification by the Department of Social Services to parents of certain determinations of child abuse or neglect. This is designated as House Bill 557M0124.

This act would require the Department of Social Services to make a reasonable effort to inform each of the child's parents of the determination that abuse or neglect has occurred.

## Department of Corrections

The Committee reviewed the condition statements of the various funds administered by the Department of Corrections.

A review of the Mike Durfee State Prison's personnel and safety issues along with the overall conditions at the prison was conducted by the Committee. Public testimony was received at a Committee meeting held in Yankton and Springfield. The Committee was provided a tour of the facility. Issues and concerns of the Committee that were addressed as part of the meeting included: residency requirements for the warden; lighting; food quality; infractions and disciplinary actions; aftercare of prisoners; security cameras; perimeter fencing; staffing levels and promotions; job responsibilities; employment opportunities and educational programs for prisoners; alcohol and chemical dependency programs for prisoners; communication issues top to bottom; and, the prison's disaster recovery plan. Based on these activities, the Committee had the following observations or developed the following recommendations:

- There is a gap in communications between the administration and the guards, and between the administration and the inmates. The new constructions and infusion of new inmates is causing unrest and the details need to be communicated to ease some of the tension associated with the changes.
- Security camera that would offer additional safety have been purchased, but have not been installed due to electricians working on new construction and not having available time. The Committee feels it is very important to hire outside help to install the cameras and not wait for the completion of the building.
- The radio system is outdated. The Committee urges the administration to provide adequate training on the new radios and distribute them as soon as possible.
- The employment and educational opportunities available to prisoners are lacking. More opportunities need to be made available to the current inmates as well as the new inmates who will be housed at the newly constructed barracks.
- The Committee requests a written report updating the members on the above mentioned recommendations by September 30, 2005.

The Committee received and reviewed the written report from the Department concerning the recommendations made relating to the Durfee State Prison. The Committee requested additional breakdown and specifics concerning the new jobs and educational opportunities created at the prison which was then provided to the Committee.

## Department of Transportation – Purchases of Land

The Committee reviewed the state laws and applicable state policies and procedures for obtaining necessary land for various state highway projects in South Dakota and also obtained the views from other states concerning DOT land acquisitions. Investment speculation by individuals on the land needed for highway projects and the potential for delays of highway projects was the concern of the Committee. The Committee requested and received a detailed report on land purchases by the DOT and the price paid whether negotiated or court ordered versus appraised value of the land covering a three year period.

The Committee requested and received additional information concerning the length of time the parcels of land was owned by the seller prior to the land being sold to DOT for any parcel that was purchased for \$25,000 or 30% above the original appraised value of the land.

#### Department of Transportation – Sale of the State Owned Railroad Line

The Committee requested information concerning the proposed sale of the state owned railroad line to Burlington Northern Railroad. Discussions were held with Departmental officials and associated legal representatives for the state. This continues to be an ongoing agenda item for the Committee.

#### Department of Public Safety – Contract Review

The Committee requested a listing of all contracts entered into by the Department of Public Safety which was reviewed by the Committee. This information was then provided to the Department of Public Safety Agency Review Committee.

#### Department of Agriculture – Contract Review

The Committee requested a listing of all contracts entered into by the Department of Agriculture. Specific questions and concerns of the Committee were addressed by departmental officials who appear before the Committee. This information was then provided to the Department of Agriculture Agency Review Committee.

#### Department of Public Safety- Homeland Security Grant

Information concerning the funding level of federal grant awards by fiscal year for the Homeland Security Federal Grant Program was requested by the Committee. The breakdown of the amount of federal funds expended, amount of funds obligated and remaining funds to be obligated was provided to the Committee by the Department of Public Safety. The Department of Public Safety provided the Committee with background on the Homeland Security Grant. The Committee was informed that Homeland security grant money can be used for natural disasters, law enforcement and search and rescue operations, in addition to homeland security activities.

#### Office of Attorney General

The Committee was provided an overview of internet crimes involving children by representatives from the Attorney General's Office who also responded to various Committee questions.

#### Department of Revenue - Division of Insurance

The Committee requested information from the Division of Insurance covering their operations and investigations. Information concerning lawsuits, investigation man hours, attorney fees, categories of investigations, processes and procedures followed in conducting investigations, and timelines for completing investigations was requested. Representatives of the Division of Insurance appeared before the Committee to respond to Committee questions. The Committee also received public testimony concerning the Division of Insurance at two

separate meetings of the Committee. At the October 3-5, 2005 meeting, the Committee unanimously passed a motion whereby the Government Operations and Audit Committee authorized Representative Klaudt and Senator Gant, as co-chairs, to jointly issue such summonses, pursuant to SDCL 2-6-4, as may be necessary, in the absence of voluntary compliance on the part of any witness, to the Committee's ongoing investigation of the activities of the insurance fraud prevention unit of the Division of Insurance. The Committee requested the Department respond to issues raised as part of the public testimony which was provided to the Committee at the November 21, 2005 meeting. The Committee requested additional information from the Division concerning the content of letters sent to insurance companies that request information in conducting a market conduct exam and a detailed listing of convictions obtained by the Division since 1999.

This review resulted in the committee approving three draft legislative bills to be presented to the Executive Board of the Legislative Research Council. Those bills are:

An Act to require that persons receiving notice of hearing and charges against insurance producers also receive notice of the final determination of the matter. This is a Senate Bill designated as 508M0073.

This Act would amend current law so that a notice of hearing and the charges against a licensee would not be sent to the insurers represented by the licensee or to the appointing agent of a producer. A new paragraph was added which would require that the Director of Insurance send a letter to the licensee, the insurers represented by such licensee and the appointing agent of a producer, which states the final determination of the hearing.

An Act to prohibit an insurance producer from being the beneficiary on certain life insurance policies. This is a House Bill designated as 445M0074.

This Act would amend current law so that any consent to make the benefits under a life insurance contract payable to the insurance producer who sold the life insurance contract is void.

An Act to revise certain provision regarding investigations of the Division of Insurance. This is a Senate Bill designated as 449M0145

This Act would amend current law by requiring any investigation to be completed in a timely manner. Any investigation not completed within twenty-four months is to be reviewed by the Secretary of Revenue and Regulation. If after sixty days, the Secretary has not completed the investigation, the secretary shall forward the matter to the Attorney General who shall review the file and make recommendations to the Secretary for the purpose of ensuring final action. The contents of the report to the Legislature concerning the activities of the insurance fraud prevention unit were amended by adding that the report should also state the outcomes of cases investigated, and the number and type of cases that have been pending without final action for more than twelve months.

## Office of Attorney General – Furniture Contract

The Committee requested information on the process followed in awarding the furniture contract for the new Attorney General/DCI Building. Testimony was received concerning the process followed in bidding the contract; the deficiencies noted in the unsuccessful bid; correspondence between Procurement Management and the unsuccessful bidder; and, testimony from the unsuccessful bidder on why the bid was submitted as it was and why that bid should have been considered. No action was taken by the Committee.

## Department of Health and Department of Corrections – Pharmacy Contract

The Committee requested information on the process followed in awarding the prescription drug contract for the Department of Health and Department of Corrections. Testimony was received concerning the process followed in bidding the contract; the estimated cost savings resulting from automation of selected services; and alternative views from the unsuccessful bidder. The Department of Health was requested to provide the Committee with the spreadsheet used to calculate the estimated cost savings from the new contract. This continues to be an ongoing agenda item for the Committee.

## Reviewed Quasi-Governmental and Non-Profit Entities

The Committee requested a listing of all audit reports filed with in the Auditor General's Office including the audit requirements for quasi-governmental and non-profit entities. Draft legislation was prepared concerning required audits of these organizations. Representatives from three organizations testified before the Committee concerning the proposed legislation. As a result of the testimony, revisions to the original draft legislation were proposed. This review resulted in the committee approving the following draft legislative bill to be presented to the Executive Board of the Legislative Research Council.

An Act to provide for certain audits of associations of school boards. This is designated as House Bill 179M0006.

This Act would require any association exercising authority contained in SDCL 13-8-10.1 and any pool arrangement organized for the purpose authorized under SDCL 1-24-11 to 1-24-17 inclusive, that provides coverage to school districts, to have a financial and compliance audit performed not less than once every two years. A copy of the report shall be filed with the Department of Legislative Audit. The audit is to be performed in accordance with generally accepted government auditing standards. The Auditor General would be able to examine all financial records of such associations or pool arrangements if deemed necessary and in the public interest.

## Activities of State Comptroller Update

The Committee requested and received an update from the State Comptroller on his activities and costs savings attained for the State of South Dakota.

## Reviewed the State Aircraft Purchase

The Committee requested a review be performed by the Department of Legislative Audit

(DLA) on the purchase of the new state executive aircraft. The Committee was provided a recap of the process followed by DLA in performing the review and the results of the review.

### **Reviewed Juvenile Corrections**

The Committee met in Custer at the STAR Academy operated by the South Dakota Department of Corrections. The STAR Academy is a juvenile offender facility that typically houses over 200 children who have been sentenced to the Department of Corrections by the courts. The Committee received an update on the latest projects and developments relating to juvenile corrections issues from the Department of Corrections personnel.

The Committee reviewed the semi-annual report covering January 1, 2005 through June 30, 2005 from the Juvenile Corrections Monitor (JCM). This report details complaints received at the state owned juvenile corrections facilities. The JCM must immediately notify the Governor, Department of Corrections Secretary, and the Government Operations and Audit Committee in writing of any substantiated abuse or neglect.

### **Overview of June 30, 2005 Cash Basis Financial Data**

The Committee was provided a handout prepared by the Department of Legislative Audit that contained June 30, 2005 cash basis financial data and budgetary information covering all funds of the state. After review, the Committee requested that unused and unnecessary funds be identified and that draft legislation be prepared to eliminate these funds and the associated enabling legislation. Due to timing constraints, this project could not be accomplished in time to include any draft legislation for consideration by the Executive Board of the Legislative Research Council. This continues to be an on going project and the Committee has agreed with the concept of eliminating any unused and unneeded statutorily created funds and the associated enabling legislation concerning those funds.

# Health Insurance Issues Interim Study Committee

## Study Assignment

A comprehensive study of health insurance coverage available to all segments of South Dakota's population. Components of this study will include: (a) an examination of the coverage available to private citizens, individually, as members of small groups or as members of large groups; (b) an examination of any potential barriers, including regulatory, to the entry of health insurance carriers into the South Dakota market; and (c) the availability and effectiveness of appropriate incentives to entice more carriers to provide coverage in South Dakota.

## Summary of Interim

### *Current statistics*

The Health Insurance Issues Interim Study Committee began its study with a historical perspective of the availability of health insurance and an overview of the coverage currently available. The presentation, provided by the Division of Insurance, included a discussion of the risk pool. Since the enactment of the risk pool, the number of carriers writing individual major medical policies remains constant at eight. The number of small group carriers and large group carriers each increased. There are currently 16 small group carriers and 11 large group carriers. A 2004 study found that the uninsured rate for adults in South Dakota was approximately 8.5 percent, well below the national average of 19.2 percent. The uninsurable rate in South Dakota is 1.06 percent or approximately 6,020 individuals.

### *Expansion of the state employee health plan*

The issue of adding other entities to the state health insurance plan was raised by the Association of Community Based Services, which requested that adjustment training centers be allowed to join the state health insurance plan. Representatives of the Bureau of Personnel addressed the issues surrounding such a decision. First, the state plan is self-insured; therefore, the state bears the risk of paying the claims. Also, the plan pays dollar-for-dollar so that any entity joining the plan would be responsible for paying their portion of claims. Further, users pay a portion of the costs through co-payments and deductibles, about 35 to 40 percent, and any other entity joining would have to adopt the same cost-sharing mechanisms. In addition, it must be noted that the state is not immune from rising costs but has implemented disease management programs to minimize cost increases. The biggest advantage may be increased purchasing power and leverage, but it would make the state more like an insurance company and less like its current position of employer. The issue is further complicated since a portion of federal monies received by the state are utilized to pay the costs of the plan. Federal grants accept this as an allowable charge but a complex allocation process is involved to utilize federal dollars for this purpose. Allowing another entity to join may jeopardize federal funding. Federal regulations prohibit any inequitable costs being redistributed to the federal government, and it was noted that it may be difficult to convince the federal government that it was not negatively impacted by the addition of other entities.

### *Association group insurance*

Some representatives of the insurance industry, specifically those from the Council for Affordable Health Insurance (CAHI) and Golden Rule Insurance Company, presented information to the committee regarding the benefits of association group health insurance, noting that in most states there are two options in the individual market, a true individual plan and association group insurance. Association group insurance involves associations

negotiating with companies to provide benefits to their members only and is a hybrid between individual and group coverage. Associations are subject to a variety of regulations in the states, with many states allowing general purpose associations. Current rules do not allow general purpose associations in South Dakota. It was suggested that South Dakota redefine association in its statutes and rules to allow general purpose associations to do business in the state, arguing that this change in terminology would bring more carriers into the individual market place and lower costs.

The position of the Division of Insurance is that if an association has no common purpose other than that of insurance, there is no assurance that the association will look out for the best interests of the insured. The whole purpose behind true group laws is to ensure that the association has a vested interest in the insured since it has the authority to make the decisions for the insured. Those decisions may include reducing coverage or increasing premiums. Further, if the insured becomes dissatisfied with the plan, it is difficult to switch individual plans unless the person is very healthy.

### *Disease management*

The committee requested information from representatives of Wellmark on the subject of benefit design, disease management, and case management. When managing health benefits, Wellmark seeks to reduce costs and improve the health status of consumers. About twenty percent of the consumers use eighty percent of the available health care dollars. These individuals are identified through claims data and enrolled in disease management programs. The results show cost savings, decreased absenteeism from work, and member satisfaction.

### *Other issues: Medical liability, mandates, risk pool*

Public testimony provided by Wellmark identified two barriers to health insurance carriers – rising health care costs and increasing federalization of the insurance industry, but added that neither were limited to South Dakota.

A representative of America's Health Insurance Plans (AHIP) provided an overview of a variety of issues surrounding health care costs. Among the issues discussed were medical liability, mandates, and risk pools. Methods to limit frivolous lawsuits were discussed. The issue of mandates was raised but even representatives of Wellmark remarked that South Dakota has been reasonably prudent in the adoption of mandated benefits, noting that some insurance companies would provide mandated benefits anyway because it is just good medicine. Members generally agreed that mandates were not onerous in the state, some arguing that many are preventative and result in cost savings. Finally, some industry representatives suggested that the eligibility for the risk pool be expanded but all agreed that such a decision required financing.

### **Listing of Legislation Adopted**

None.

### **Summary of Meeting Dates & Places and Listing of Committee Members**

The committee met on June 17, September 1, and November 16. Each meeting was held in the State Capitol in Pierre.

Committee members were: Representative Don Van Etten, Chair; Senator Tom Hansen, Vice Chair; Senators Jerry Apa, Mike Broderick, Jason Gant, Gil Koetzle, and Dan Sutton; Representatives Jamie Boomgarden, Pat Haley, Jeffrey Haverly, Gary Jerke, Deb Peters, Tim Rave, Elaine Roberts, Tim Rounds, and Bill Thompson.

Staff members were: Jacquelyn Storm, Principal Legislative Attorney; and Kris Schneider, Legislative Secretary.

# Retirement Laws Committee

## Study Assignment

A continuing study of the pension, annuity, and benefit laws relating to employees and officers in public service.

## Summary of Interim

The return on investment of the South Dakota Retirement System Retirement Fund for FY2005 was 13.43% and the condition of the fund remains good. Investment Officer Matt Clark reported that it was an excellent market environment this year.

Staff from the South Dakota Retirement System (SDRS) reported the number of current members in the system is above 66,000. There were 17,547 retirees or benefit recipients who had received over \$218 million in benefit payments during fiscal year 2005. The total number of new benefit recipients was 516, an increase of 3 percent.

The SDRS actuary reported that the system had an actuarial value funded ratio of 98 percent and a market value funded ratio of 112 percent, both showing increases over the previous year.

The SDRS prepared and presented a report entitled "A Statement of Key Positions and Public Policy Related to SDRS Retirees Returning to Work". The report outlines the history of the retire/rehire practice in the system and summarizes the changes that have been made to date. Currently, the policy includes the following provisions:

- The decision by an SDRS participating employer to employ or reemploy a retiree rests solely with the employer and the employee;
- SDRS should not be harmed financially if a retiree returns to work;
- SDRS will not pay a retirement benefit unless a member has terminated employment, as certified by the employer, and is considered a terminated employee for all compensation and benefit practices of the employer;
- Only members who retire with unreduced benefits at Normal or Special Early Retirement and return to work with an SDRS participating employer can receive retirement benefits while reemployed. Also, these members will have their SDRS cost of living adjustment (COLA) eliminated during the reemployment;
- If a retired member is rehired, the second period of employment is treated independently of the first period of employment, and the employee must qualify for SDRS benefits on the basis of the second period of employment only; and
- SDRS practices should not favor or encourage reemployment of a retired member or employment in another state or in non-public employment at the expense of public employment in South Dakota.

The FY2007 budget for the administration of the South Dakota Retirement System is proposed to grow by 1 percent over the previous fiscal year. The budget was submitted to the Governor for his approval and then will be proposed to the Legislature in January 2006.

## **Listing of Legislation Adopted**

Even though the committee will not propose legislation, the SDRS notified members of possible minor legislation which would clarify existing retirement system laws.

## **Summary of Meeting Dates & Places and Listing of Committee Members**

The committee met one time jointly with the Board of Trustees of the South Dakota Retirement System in Pierre at the Ramkota River Centre. The meeting was held on September 15, 2005.

Committee members were: Representative Matthew Michels (Chair), Senator Brock Greenfield (Vice Chair); Senators Jerry Apa, William Earley, Gil Koetzle, and Dan Sutton and Representatives Burt Elliott, Elaine Roberts, Tim Rounds, and Lou Sebert.

Staff members were Annie Mehlhaff, Principal Fiscal Analyst, and Reta Rodman, Legislative Secretary.

## **State-Tribal Relations Committee**

### **Study Assignment**

The State-Tribal Relations Study Committee selected its study topics for the 2005 Interim at two organizational meetings held in Pierre during the Legislative Session on February 28 and March 21, 2005. The committee decided to address issues related to corrections and the makeup of the Board of Pardons and Paroles, economic development, education and technical training, and updates and testimony on child placement issues. The committee decided to hold at least one meeting on one of South Dakota's Indian reservations.

### **Summary of Interim**

The State-Tribal Relations Study Committee is an ongoing interim committee that was created in statute (SDCL 2-6-20) in 1993 as a part of the state's reconciliation efforts. The committee, which generally does not propose legislation, provides a forum within state government for discussion by Indians and non-Indians of issues affecting the Native American community. The committee also serves as a way of familiarizing legislators with such issues.

The committee held two organizational meetings in the Capitol in Pierre on February 28 and March 21, 2005, with the primary task of selecting a chair and vice chair for the 2005-2006 interims and selecting study topics for the 2005 Interim. Unlike other interim committees, which are temporary and are established to study specific issues, the State-Tribal Relations Committee is ongoing and selects its own study topics at the beginning of the interim. Committee members, who are appointed for two-year terms, also select their own chair and vice chair. Senator Stan Adelstein, Chair, and Representative Paul Valandra, Vice Chair, were selected for those positions for the 2005-2006 Interims. As noted above, the committee at the organizational meetings chose to study issues related to corrections, the makeup of the Board of Pardons and Paroles, economic development, education and technical training, and updates and testimony on child placement issues. The committee also heard public testimony on potential study topics and on HCR 1021 - A concurrent resolution supporting the construction of an outdoor facility for Native American performing arts and competitive events, which was adopted on March 22, 2005 by the Legislature.

At the third meeting, which was held on September 13-14, 2005, at the Oglala Sioux Tribal Council Chambers and at the Casey Family Program Center in Pine Ridge, the committee heard remarks by Tribal President Cecelia Fire Thunder; a presentation by Dr. Craig Howe on historical background for tribal/state/federal relationships; presentations by the Corrections Secretary Tim Reisch and other Department of Corrections personnel on the South Dakota adult and juvenile corrections systems and issues related to Native Americans, the composition of the Board of Pardons and Paroles, and related issues. President Tom Short Bull of Oglala Lakota College discussed the mission and roles of Oglala Lakota College. Dr. Hank Rubin, Joint Dean of Education at SDSU and USD discussed recruitment of Native American teachers, and Keith Moore, Director of Indian Education with the South Dakota Department of Education discussed coordination of state and Native American education programs. Mr. David "Tally" Plume, Director of the Oglala Oyate Woitancon Empowerment Zone discussed the empowerment zone concept and operations and economic development projects and issues in the Pine ridge Reservation area. The committee also heard public testimony on a variety of issues.

The committee's fourth meeting was held on November 18, 2005, in the Capitol in Pierre. The committee heard discussion of economic development opportunities in film making in South Dakota through presentations by Ms. Billie Jo Waara, Director of the South Dakota Office of Tourism; Mr. Moses Brings Plenty and Ms. Karla La Rive of the Lakota Film and Television Group and the Black Hills Film Resource Council; and Mr. Clifton Skye of the United Sioux Tribes. The committee also heard presentations on gaming issues and proposals from Ms. Ruth Brown, a member of the Oglala Sioux Tribal Council, and Tribal Chairman James "J.C." Crawford of the Sisseton-Wahpeton Oyate Sioux Tribe. Secretary Deb Bowman of the Department of Social Services and staff provided presentations on the Low Income Energy Assistance Program and the TANF Program and projections for South Dakota's TANF reserve. Ms. Daphne Richards-Cook of the Alliance of Tribal Tourism Advocates in Rapid City briefed the committee on that organization's activities and goals. The committee heard public testimony on numerous issues.

### **Listing of Legislation Adopted**

None.

### **Summary of Meeting Dates and Places and Listing of Committee Members**

The committee met in the State Capitol in Pierre on February 28 and March 21, on the Pine Ridge Reservation on September 13-14, and again in the Capitol in Pierre on November 18, 2005.

Members of the committee included Rep. Stan Adelstein (Chair) and Representative Paul Valandra (Vice Chair); Senators Julie Bartling, Tom Dempster, Bob Gray, and Theresa Two Bulls; and Representatives Jim Bradford, Cooper Garnos, J.E. "Jim" Putnam, and Thomas Van Norman.

Committee staff members were Tom Magedanz, Principal Research Analyst; and Teri Retrum, Senior Legislative Secretary.