



First Meeting
2008 Interim
June 23, 2008

LCR 1 & 2
State Capitol Building
Pierre, South Dakota

Monday, June 23, 2008

The first meeting of the Joint Committee on Appropriations was called to order by the Co-Chair, Senator Jerry Apa, at 9:30 a.m. (CDT) in Legislative Conference Room 1 & 2 of the State Capitol, Pierre, South Dakota.

A quorum was determined with the following members answering the roll call: Senators Jerry Apa (Co-Chair), Brock Greenfield, Alan Hoerth, Jim Hundstad, Jean Hunhoff (Vice Chair), and Orville Smidt; and Representatives Quinten Burg, Lance Carson, Justin Davis, H. Paul Dennert, Mary Glenski, Jeffery Haverly, J.E. Jim Putnam (Vice Chair), Val Rausch, and Larry Tidemann (Co-Chair). Those members that were excused include: Senators Julie Bartling, Bob Gray, and Ryan Maher.

Staff members present included Fred Schoenfeld, Chief Fiscal Analyst; Annie Mehlhaff, Principal Fiscal Analyst; Sue Cichos, Senior Fiscal Analyst; Aaron Olson, Senior Fiscal Analyst, Terry Miller, Senior Fiscal Analyst, and Lisa Shafer, Legislative Secretary.

(NOTE: For purpose of continuity, the following minutes are not necessarily in chronological order. Also, all referenced documents distributed at the meeting are attached to the original minutes on file in the Legislative Research Council (LRC)).

Update

Senator Jerry Apa informed the committee that some meat inspection money was not used within the Animal Industry Board which resides in the Department of Agriculture. The available general funds were transferred within the Department of Agriculture to create a perimeter around Custer State Park by thinning the pine beetle trees. Since the bugs do not fly, but rather move from tree to tree in the wind, the Department can try to control the spread of the beetles if there is space between the trees.

In response to **Representative Mary Glenski's** question pertaining to details of the transfer, **Jason Dilges**, Commission for the Bureau of Finance and Management, said that a couple years ago, the Bureau of Finance and Management (BFM) came to the committee and asked for \$175,000 for the suppression of pine beetles in the forest. The funds would have been spent creating barriers in areas with beetles. The funds came with a 50/50 match from the federal government. Those funds were leveraged and there was the opportunity this fiscal year to do more. The Governor asked that the chairs and vice chairs of the committee be contacted to discuss the issues and ways to leverage more money. Commissioner Dilges said that the federal government was pulling back money for the animal industry board meat inspections at the same time South Dakota added money for inspections. The goal is to create a buffer zone so that the beetles would not be able to travel from the forest ground to the Custer State Park area. With the chairs approval, BFM went forward with the project.

Agency Reports

Department of Public Safety

Tom Dravland, Secretary for the Department of Public Safety, distributed to the committee a letter with attachments that was addressed to Senator Apa (**Document #1**). Secretary Dravland said that the department follows the Bureau of Personnel's (BOP) schedule for pay and benefits. There are two areas that the highway patrol pays additional duty pay money for troopers: field training officers and assistant squad leaders. Senior officers mentor new troopers and spend 10 to 12 weeks in field officer training with them. The training deals with the protocol to ensure that as a new trooper, they are able to perform the duties as required. This is a duty assigned in addition to the regular trooper duties, in which extra time must be spent on training and paperwork.

The assistant squad leader is an assignment that is only needed when the squad sergeant is gone and another person is needed to assist with schedules, etc. The sergeant typically has 8 to 14 troopers working under his command. This assignment is also used as a training position for possible promotions. The bonuses are only paid during the time that they are performing additional work.

Senator Apa informed the committee that attachment A outlines the employees' positions and salaries.

In response to Representative Dennert's question, Secretary Dravland said that the employees enter at a pay grade level 3; and that midpoint is about \$1,709.

Secretary Dravland stated, in response to Representative Putnam's questions, that the funding for the bonuses comes from the personal services budget. The department's salaries budget is figured based on the department being full staff. It is not frequent that it is always full staff. The bonus money (annually about \$15,000 to \$20,000 is available due to vacant positions throughout the fiscal year.

Senator Brock Greenfield asked if the additional duties made the employees work in excess of 40 hours per week. In response, Secretary Dravland said that it depends on what is occurring, but normally, employees do not work more than 40 hours. The additional work occurs within the employees' regular shift.

In response to **Senator Jean Hunhoff's** question, Secretary Dravland informed the committee that the bonus is not allocated by hour, but rather based on the additional tasks assigned.

Bureau of Finance and Management

Commissioner Dilges distributed the interim report to the committee (**Document #2**). He informed the committee that the proration of the investment income has been around for many years, but the Joint Committee on Appropriations must approve it. This year, BFM is asking the committee to approve 2,296 cash centers.

In response to Senator Apa's questions, Commissioner Dilges said that the federal funds for School and Public Lands are the result of a new federal fund created in House Bill 1251 approved in the 2007 Legislative Session.

He informed the committee that the money for the renovation on the 4th floor of the Capitol Building is called the Capitol Renovation Budget. Since the legislature's budget is funded by general funds, the general funds will receive the interest.

Commissioner Dilges said that there are four new cash centers for the Department of Corrections. The change is to help the department separately track the federal grants received from the Unified Judicial System.

The committee was informed that section 2 of the document lists the funds that were involved in the FY07 proration for which a designation change is recommended for FY08. There is one recommended change; Memorial Maintenance Fund. Commissioner Dilges said that an agreement has been made to allow for the interest earned to be used for maintenance and repair of the memorials. The general fund will not benefit from this fund, but rather a balance will be acquired over time that will be used to pay for the expenses to maintain the complex.

Commissioner Dilges informed the committee that BFM credited \$14,984,267.29 to the general fund. With a 4.8% yield, there is an average daily cash balance of \$853.6 million through May 31, 2008.

SENATOR GREENFIELD MOVED, SECONDED BY REPRESENTATIVE PUTNAM, TO ACCEPT THE BUREAU OF FINANCE AND MANAGEMENT'S RECOMMENDED PRORATION OF INVESTMENT INCOME. The motion prevailed with 15 YEAS and 3 EXCUSED. Those members voting YEA include; Greenfield, Hoerth, Hundstad, Hunhoff, Smidt, Burg, Carson, Davis, Dennert, Glenski, Haverly, Putnam, Rausch, Tidemann, and Apa. Those members EXCUSED include: Bartling, Gray, and Maher.

Commissioner Dilges said that the last five pages of the document contain the transfer summary from October 2, 2007 through June 6, 2008; which, by state law, BFM is required to provide for review.

In response to Senator Apa's question, Commissioner Dilges said that the first transfer listed is in the amount of \$400,000 for the Department of Human Services. The transfer is to approve the additional expenditure authority for tobacco control. The legislation for the funds was not in effect until last week, and once it is in effect, the budget will be whole.

There are eighteen transfers listed for an eight month period. As the fiscal year ends, agencies will be moving budgets around to ensure they will not have a negative budget. With the current environment for fuel prices, BFM will see more transfers and possibly a couple emergency requests next session.

Senator Orville Smidt asked if there are any initiatives to reduce travel expenses. In response, Commissioner Dilges said that the departments are trying to alleviate travel. The Bureau of Information and Telecommunications has implemented a system for PC based video conference calls. Departments are engaging in a ride-sharing program where people coordinate with travel managers to better plan travel.

In response to **Representative J.E. "Jim" Putnam's** questions about the interim report, Commissioner Dilges said that the individual agencies have control over what is in the report. BFM only generates the transfer report. For each department request, a BFM staff member must be informed and approve the recommended transfer. BFM is trying to be more proactive in requesting information about funds and transfers, and since that change, there have been a

smaller number of transfers. The remaining transfers for the fiscal year will be presented at the next interim meeting.

In response to Senator Hunhoff's questions, Commissioner Dilges said that the shortfalls in the executive management budget are for expenditure authority. Expenditure authority to purchase technological upgrades was transferred from telecom services as a result of the executive management's budget being trimmed over the past couple years.

Representative Lance Carson requested the BFM provide to the committee a list of grants that were not utilized for the Department of Corrections.

Commissioner Dilges informed the committee that the agencies are working to close the FY08 budgets. There still is work that needs to be done and there are many negative budgets that need to be at zero when closed. To save on federal funds, some agencies are spending more general funds. This is a controversial issue because of a recent audit finding, but there is not a law stating that departments are not allowed to do that.

Senator Apa asked if there will be any additional transfers from June 15. Commissioner Dilges responded that the deadline was June 18, but there will be some stragglers. Agencies will be submitting clean-up transfers from personal services to operating expenses to ensure the budgets are not negative.

Commissioner Dilges informed the committee that there is no recommendation in the FY09 budget for VISTA upgrades and he hopes it is not included in the FY10 budget. The agencies wanting to upgrade may need to purchase new equipment that is compatible with VISTA. Bureau of Information and Telecommunications (BIT) does not have a formal plan for implementation, but as agencies are ready they will upgrade. Once one of the agencies upgrades to VISTA, BIT is not certain what the communication will be like between agencies.

Board of Regents

Dr. Tad Perry, Executive Director for the Board of Regents, and Monty Kramer, System Vice President for Administration for the Board of Regents, distributed a handout entitled "South Dakota Board of Regents Capital Improvement Projects – June 2008" (**Document #3**).

Dr. Perry informed the committee that the status of the health simulator has not changed much, and the Board of Regents (BOR) is waiting for the health services provider to state how it will be used. In response to Representative Glenski's question, Dr. Perry said that the money to purchase the equipment was not made available to the BOR, and it is part of an on-going conversation with health services providers.

In response to Representative Carson's and **Representative Larry Tidemann's** questions pertaining to the simulator, Dr. Perry stated that the funds are from a health services provider and therefore there is no threat of losing the grant. The simulator was not originally planned to be placed in the Sioux Falls University Center, but rather a separate building. The construction plans for the classrooms at the University Center would need to be retrofitted to accommodate the simulator. Dr. Perry informed the committee that BOR has the funds to construct the building, but will not go forth until there is equipment for the facility.

In response to Senator Apa's questions, Mr. Kramer stated that on document #3, when the project status is listed as construction, it means the project is currently in the construction phase. All projects on the list will be completed within the three-year window.

Dr. Perry stated, in response to Senator Smidt's question pertaining to the mobile computing project, that BOR has been incrementally implementing wireless networks on the campuses. Not all campuses are completely wireless and BOR wants to do it more systematically.

In response to Senator Apa's question about payroll savings to fund the mobile computing project, Dr. Perry said that BOR still needs to move forward with the issue. He was asked by the board to look at a payday change that would save money in one fiscal year and then to resubmit a plan to the Governor. The plan is still being reviewed and will be taken to the Board over the next couple months. The state needs to have campuses totally wireless, and the BOR will put together a plan to make progress on that issue.

Department of Social Services

Deb Bowman, Secretary for the Department of Social Services, **Rodger Leonard**, Comptroller with the Office of the Governor, and **Brenda Tidball-Zeltinger**, Chief Financial Officer with the Department of Social Services provided a quarterly update on the Medicaid Management Information System (MMIS).

Secretary Bowman informed the committee that in the last two weeks, the department has finished contracts with the vendor that was selected. The process took longer than anticipated, but the Department of Social Services (DSS) is watching out for the best interest of the taxpayer. Before DSS is able to move further with the project, CMS needs to approve the agreed upon contract.

In response to Senator Apa's question, Secretary Bowman stated that the state will receive 90% federal funding and use 10% state funds.

Secretary Bowman stated, in response to Senator Hunhoff's request, that DSS will make available to the committee a detailed timeline for the project. She informed the committee that the vendor is held accountable for the timeline.

Representative Putnam asked if there will be any savings that will be seen from the MMIS project. In response, Mr. Leonard said that the whole purpose of the project is to provide tools that will allow DSS to better manage Medicaid. It will be about 7 to 8 years before the state will see a return on the investment. Currently, the department is focusing on reducing the growth of Medicaid dollars.

Representative Putnam requested the department provide to the committee with an outline of when the potential savings could occur.

In response to committee questions, Secretary Bowman stated that in the last session, the Appropriations Committee approved 12.0 FTEs to the new MMIS.

Intensive Meth Treatment Program

Laurie Feiler, Deputy Secretary for Department of Corrections, distributed to the committee a handout entitled "Intensive Methamphetamine Treatment (IMT) Program Status Report: FY08 3rd Quarter" (**Document #4**). The report covers activities from January through March 2008, and provides a summary of participant information from program start in August 2006 through the end of the third quarter of FY08. This is a joint report of the Departments of Human Services, Corrections, and Health.

As of March 31, 2008, 134 inmates had been involved in the program. There were twenty inmates in phase 1 (prison), sixteen inmates in phase 2 (treatment in prison), twenty-four were on phase 3 (halfway house), twenty-nine were in phase 4 (independent living), and twenty-eight had completed all phases of the program. Seventeen participants were listed as program failures. To date, 117 of the 134 inmates who started the IMT program had either completed or were involved in the program.

Through House Bill 1246 of the 2007 Legislative session, \$1,826,878 was appropriated for the IMT program. Current cost for phases 2, 3, and 4 of the program totals \$1,109,493; comprised of \$841,610 for phase 2, \$254,655 for phase 3, and \$13,228 for phase 4. Ms. Feiler stated that the program is funded through 3 agency budgets, and the cost for FY08 is broken down by department and phase on page 3 of document #4.

Ms. Feiler said that the staff is stable with the current 16.0 FTEs; which were authorized for the program for FY08.

In the community based phases of the IMT program (phases 3 and 4); drug testing occurs randomly about every three days. During the first three quarters of FY08, there were 2,914 UA tests done on participants involved in the community based phases. Nineteen of the tests were positive, involving 6 participants. There were 14 positive tests this quarter involving three individuals, one test was positive for methamphetamine and the rest were positive for marijuana. Ms. Feiler responded to Representative Putnam's question by stating all tests are UA tests unless a person is suspected of being intoxicated. In that case, a breathalyzer test would be conducted immediately.

In response to Senator Hunhoff's question, Ms. Feiler stated that the outcomes of the 28 people who have completed the entire IMT program are listed on page 5 of document #4. None of the participants have returned to prison as parole violators or with new felony convictions, one returned to the Community Transition Program and has since been released back to parole. Six of the 28 people who have completed the program have discharged their prison sentences, the remaining 22 are on parole supervision. Ms. Feiler stated that the statistics will change based on the maturity of the program.

Department of Human Services

Jerry Hofer, Secretary for the Department of Human Services, and **Gib Sudbeck**, Director for the Division of Alcohol and Drug Abuse for the Department of Human Services, provided the committee an update on the Co-occurring State Incentive Plan. Secretary Hofer said that the Co-occurring State Incentive Plan is a grant that was awarded to the state in September 2007 from Substance Abuse Mental Health Services Administration (SAMSA); which is part of the federal Department of Health and Human Services. The state Department of Human Services (DHS) will receive \$550,000 a year for five years to develop better services for individuals with co-occurring disabilities.

There are three goals: to improve the recognition of co-occurring mental health and substance abuse issues, to increase provision of co-occurring treatment across the state, and to implement a continuous and comprehensive system of care framework as part of the project.

Secretary Hofer stated that the objectives of the Co-occurring State Incentive Plan are to

- Create quality partnerships with the Division of Drug and Alcohol Abuse and the Division of Mental Health to create system enhancements for people with co-occurring disorders;

- Facilitate the integration and transformation of a system of care to all servicing agencies, programs, participants, consumers, and policymakers;
- Assist all agencies in becoming co-occurring capable to deliver matched integrated services to individuals and families with co-occurring disabilities; and
- Develop co-confidences to clinical staff to address co-occurring disorders for the consumers they serve.

Mr. Sudbeck said the one of the first items undertaken when the grant was received was to establish an executive team, to ensure all needed issues are addressed. In addition to himself, the team includes two psychiatrists; Amy Ivensen-Pollreisz, Director, Division of Mental Health with DHS; Corey Nelson, Department of Human Services; Terry Dosch, South Dakota Council and Mental Health Center; project evaluation consultants, Kate Ermish, Co-occurring Program Manager.

In response to Representative Tidemann's request, Mr. Sudbeck stated that DHS will provide to the committee a breakdown of the program expenses.

The committee recessed at 12:28 p.m. and reconvened at 1:02 p.m.

School and Public Lands

Jennifer Toscana, Deputy Commissioner for School and Public Lands, provided an update on the Richmond Dam assessment. She said that School and Public Lands (SPL) submitted a request for proposal (RFP) to different engineering firms and received three similar proposals that met almost all of the requirements. SPL has decided to use Banner Engineering at a cost of \$51,380. Banner Engineering has been on-site and in the field performing material testing. The findings are due October 15, which are to include any recommended repairs.

In response to Representative Burg's question, Ms. Toscana said that SPL was appropriated \$75,000 for the Richmond Dam assessment and will only be using \$25,000 of the funds for the assessment.

Representative Putnam asked if there are other applications for the remaining funds. In response, Ms. Toscana said that the Letter of Intent sent by the Joint Appropriations Committee stated that the remaining funds need to be used for dam assessment. SPL have been approached by Tripp Lake and Mina Lake about specific repairs. She asked the committee if the remaining funds could be used for the repairs. Representative Putnam said that after the completion of the assessment, the committee could approve the assessment money for other dam assessments. Other remaining funds would need to revert back to the general fund. Senator Apa stated the bill allows only for the funds to be used for assessments.

Department of Education

Rick Melmer, Secretary for the Department of Education, and BFM Commissioner Jason Dilges, provided the committee an update on the funding for the laptop program.

Senator Apa stated that during the 2007 Legislative Session, the Appropriations committee tried removing \$1.2 million from the Citibank grant and place the funds in the General Fund. Citibank resisted and said that there could be legal action if the transfer occurred, because the settlement was to fund technology. In the 2008 Legislative Session, the committee was informed that the Citibank fund was depleted. The House of Representatives voted to fund laptops, but the Senate did not. It was not until \$700,000 was found in the Citibank fund that

the laptop program was funded. He asked if General Funds were used in lieu of Citibank funds to fund the laptop program, and if so, where was the authority.

Secretary Melmer informed the committee that Tamara Darnall is the new Director of Finance for the Department of Education (DOE). She is replacing Darla Mayer who testified on this topic during session. At that time, DOE had no reason to believe that there would be any money left in the Citibank fund. At the budget hearing, DOE had not received the final billing from Dakota State University (DSU). They do much of the work on the laptop initiative: train all the tech coordinators and teachers; work with DOE hand-in-hand on the program; etc. At the time of the testimony, Ms. Mayer used the information based on the budget; which at the end of the fiscal year, the Citibank fund would be depleted. Following the legislative session, the Governor wanted to see the program continue, but DOE did not see any financial way to continue.

In early April, DOE received a correspondence from DSU stating that there was money remaining from Years One and Two of the laptop initiative; over \$200,000 available from the estimates. At that point the Bureau of Finance and Management (BFM) became involved in the process to help fund a modest program for Year Three of the initiative. About thirty schools applied for the laptop initiative in Year Three, and it is difficult to tell them "no." As a result, the additional funds provided some seed money for Year Three of the program.

In response to Senator Apa's question about the \$500,000 discrepancy, Commissioner Dilges stated that the actual testimony during the budget hearing was that the budget projected a zero balance in the Citibank fund. During session, there actually was well over \$1,500,000 of Citibank money left. That is important to know for a couple reasons. First, many of the numbers BFM provides the committee are projections; BFM uses the best estimate based on current assumptions. Years One and Two of the Classroom Connections Project are built on a multiple year scenario. BFM budgets the costs based on what they intend the expenditures to be. The Year One Classroom Connections Project would have expenditures in fiscal years 2007, 2008, and 2009. The Year Two Classroom Connections Project would have expenditures in fiscal years 2008, 2009, and 2010. There are costs that have not been incurred from the Year One initiative and year two initiative. Based on the information at the time, Ms. Mayer informed the committee that there would be no funds remaining in the Citibank fund.

As stated, DSU sent an e-mail notifying DOE that the training costs that DSU agreed to perform for Years One and Two were less than what was budgeted. As a result, that did preserve some of the dollars that BFM anticipated would have been spent.

Commissioner Dilges stated that there is not a discrepancy in the funds. When he was contacted by the Argus Leader about the remaining money, he informed them that the program has only been operating for two years. There are some dollars that are committed to this particular project. One area is the execution of a budget transfer from General Education – State Aid to the technology program in December 2006; which was discussed in the 2007 Legislative Session and in the 2007 interim. That \$1.8 million was the seed money for Year Two of the program. To the extent that those costs come in low, BFM has coded expenditures to those General Funds.

Some of the other areas looked at are the Other Funds that are at the disposal of the department. An example would be the E-Rate money. BFM happened to leverage a greater share of the external dollars through the E-Rate program and were able to code some

expenditures to that as opposed to the Citibank dollars. Through many of those types of initiatives, BFM has been able to scrape together \$770,000 - \$780,000 to be used for a very scaled-back, limited program that will offer about 1,600 computers to students for the next fiscal year.

Commissioner Dilges said that this program is not new to the Legislature. In the past, General Funds have been used for the initiative. There has been nothing inappropriate that has been done. Assumptions have changed over time. The Governor felt very strongly about this program and wanted to see it move forward in a limited scope; which is what BFM and DOE did.

In response to Senator Hunhoff's question, Secretary Melmer stated that the program started in FY07 and DOE is currently finishing Year Two.

Commissioner Dilges said, in response to Senator Hunhoff's question pertaining to expenses in multiple fiscal years, the contracts are signed with vendors. They are based on the amount of service provided depending on what DOE and BFM ask them to cover. The number of machines that are participating has been less than what was originally budgeted. Also, some of those costs decrease based on training costs and other expenses that decline over time. The budgets are created over a three-year period where the State pays a third of the actual cost and provides dollars to the schools for setting up a wireless environment as well as for training at DSU.

The changes would include fewer computers and students at participating schools, a reduced rate of service or a reduced amount of training based on what was originally projected. Commissioner Dilges said that the committee and LRC staff sees the expenditures every year because they are on the accounting system, and they would be encapsulated within DOE's budget. However, year one has not been completely funded yet.

In response to Representative Haverly's questions, Commissioner Dilges said that the e-mail addressed costs for both Years One and Two of the program. The budgets created are dynamic and change over the course of time. They fund school districts based on the number of students and personal computers they need. If students move away or do not participate, then there are changes that will result in a cost reduction in the budget. The Classroom Connection Project is a three-year project with the school and the state participating. Not all the costs are paid for until year three of the program. Secretary Melmer stated that the biggest variable in the budget would be the first year of the program because the hardware and training must be paid for. By Year Three, the budget expenses are fairly predictable.

Secretary Melmer stated in response to Representative Haverly's question about adding schools each year that DOE tries to estimate the Three Year cost when a district is added to the program.

Representative Carson asked about the school districts' cost in purchasing the computers. In response, Secretary Melmer stated that if the school district purchases the computers, then the State will pay 1/3 of the cost. Unless the school district decides to buy a tablet, then the state covers 1/3 of the cost of a laptop (less than 1/3 of cost of a tablet). If a school district buys the laptops out-right, then the state pays 1/3 of the cost in the first year of the program. If the school district decides to lease the laptops, then the state pays 1/3 of the lease cost over a three-year time period. It depends on the district, but the average cost per laptop is about

\$1,200 (including the warranty and software for each machine). The State pays about \$400 per laptop per school district.

Secretary Melmer stated, in response to Senator Smidt's question, that 30% of the school districts in the state will be participating in the program as of this fall. Some school districts do not want to participate and others are not ready. However, he would like to see 100% participation.

Representative Glenski asked if after all the Citibank funds are spent, will there still be expenses. If the \$700,000 will cover the 150,000 laptops, DOE will not need money for the program until 2011. In response, Secretary Melmer stated that based on the estimated budgets, based on the current budget figures, her assumption would be correct.

Representative Rausch asked if DOE is tracking the warranties and if it would be more cost-effective if they were self-insured with the state. In response, Secretary Melmer stated that DOE is attempting to track the damages from one year to the next. About 3% to 5% of the computers were damaged and needed repairs. The warranty is \$300 - \$400 per computer and is for 3 - 4 years for all unintentional damage. He is not certain if they would have the same success if they used their own warranty. This is an issue that could be reviewed annually. Representative Rausch asked if the Joint Appropriations Committee could get a line item tracking for the warranty work performed each year.

Senator Greenfield stated that House Bill 1087 was a revision to the current year's General Bill. Virtually every budget in the State was revised as part of this omnibus bill. There are portions of the bill some people did not like, and Senator Maher may have been the only person to voice his opposition to the bill. If each agency had a separate bill, there probably would be more than a few dissenting votes.

In 2006, the initiative was originally supposed to be bigger, but was scaled back to the pilot program and Citibank funds were used. The results of this program have not been stated; there are no test scores or individual achievements that have been evaluated. Senator Greenfield does not want the committee to leave without the issue clear that the Legislature was never really involved and never gave authority. The question of how many schools should participate is a legislative issue.

Senator Hundstad asked if summary evaluation information about the Classroom Connections Program could be presented to the committee. Information similar to that presented with the IMT program would help determine if the money spent is accomplishing anything.

Representative Dennert asked what will occur in Years Four – Seven of the program, will the computers need to be replaced and will the state need to help finance the replacement. In response, Secretary Melmer stated they currently finished Year Two of the initiative and DOE is evaluating the program. There is only anecdotal information due to the short time the program has been operating, but the information can be presented to the committee if desired. He is not certain how many schools will replace computers on their own dime. The state has invested 10% of the funds for a 90% return.

Representative Haverly asked if the schools are willing to continue with the program regardless of state involvement. In response, Secretary Melmer stated there would be some schools that would not be able to afford the training costs. He believes the cost of training is about \$200 per teacher. DOE will provide more information to the committee.

In response to Senator Apa's question, Secretary Melmer stated that the 10% general funds includes the \$1.6 million that was transferred out of State Aid to General Education.

Senator Hunhoff said the State is giving money to the school districts and the Legislature should be receiving written summaries from the districts showing data. She hopes that prior to the next session that information will be available. The committee has never received information on this pilot project. Commissioner Dilges stated that information has been made readily available through media releases.

In response to Senator Hundstad's comment about the technology actually being valuable in the school and producing better results, Secretary Melmer stated that the laptop program in schools may be comparable to the laptops in the Legislature. What does the state use to prove that legislators are more effective with a laptop? The Dakota Step test scores may not be the only and best resources.

Representative Haverly stated that the bigger issue is the cost to the taxpayer. He hopes that a chart outlining all costs of the program and the costs to the taxpayer could be compiled.

Department of Corrections

Tim Reisch, Secretary for the Department of Corrections, stated that back in May, Secretary Hofer and himself realized that shutting down the Redfield minimum security prison would be the best option. The Redfield Unit was opened in 1996 to provide a workforce support for the Development Center that's run by the Department of Human Services. Seventy employees were laid-off with the opening of the minimum security prison. There will be about 15 fulltime employees that will be hired back when the unit closes. When the unit opened in 1996, it was to provide a workforce; however, the demand and need for that type of labor has decreased. Closing the Redfield Unit is an opportunity for the Department of Corrections (DOC) to do a better job in fulfilling the mission and prepare inmates to transition to society.

There are 112 inmates in the Redfield unit, and all were notified of the closure on May 16, 2008. Secretary Reisch said that DOC met with the center, Redfield mayor, area legislators, and other entities that employ the inmates. The largest employer has been the South Dakota State Fair. Secretary Reisch has talked to Bill Even, Secretary for the Department of Agriculture, and they will continue to provide workforce to the State Fair through different means. The change will probably involve a mini-unit in or near Huron. The final details are still being determined.

Secretary Reisch said that the new positions in the developmental center will be roughly the same number that was laid-off from the Redfield unit. DHS will need to increase by 16.25 FTE to replace the labor that is provided by the inmates.

Secretary Reisch said that DOC has a goal of December 1, 2008 to completely close the Redfield unit. For FY08, the average daily count was 109. With the small unit, the closure is the right thing to do. DOC will be in a better position to transition people back to society. He hopes to have a good transition where the inmates will be able to continue working at the same location.

Another reason for moving the unit is the need to remodel the Redfield building. It would cost about \$1 million to remodel the structure.

In response to Representative Glenski's question about a possible increase to the State Fair due to the change, Secretary Reisch said that it is a possibility. If the unit selected is close to Huron, the travel cost could be less. The meals for the unit are provided by the Developmental Center and therefore are not in the budget. The overall budgetary impact to the state would include a decrease of three meals per day for the inmates.

Secretary Reisch stated, in response to Senator Hunhoff's question pertaining to the eliminated FTE, that DOC figured all but 2 of the FTEs would be eliminated when the units closed. One teacher and one case manager might remain; which is dependent on the time the facility closes.

Unified Judicial System

D.J. Hanson, State Court Administrator for the Unified Judicial System, and **Judge Michelle Percy**, Magistrate Judge for the Fourth Circuit, provided the committee an update on the drug court program. Distributed to the members were two documents: 'Northern Hills Drug Court Program Status Report 3rd Quarter' (**Document #5**) and a draft of the "Northern Hills Drug Court Program Quarterly Report" for the 4th quarter (**Document #6**).

Judge Percy said that during the 2007 Legislative Session, \$212,193 was appropriated for the Northern Hills Drug Court program through House Bill 1271. Staff for the program was hired in July 2007 and the drug court program started in September 2007 with the first two participants. The program has been in operation for nine months, and the first participants will be graduating in September 2008.

On July 31, 2007, the Unified Judicial System (UJS) was notified by the Department of Justice that it received a federal grant for \$350,000. The grant period covers July 1, 2007 through June 30, 2009. This federal grant requires a 25% state match.

Judge Percy stated that each participant is responsible for 1/3 of their treatment costs. They are also required to pay for any testing for drugs (UA tests). In response to Representative Burg's question, Judge Percy informed the committee that some participants do have a very hard time paying the costs. However, no one is turned away due to finances, and people are able to make payments. At the same time, if a participant is spending money on other things, they could get sanctioned.

To become eligible for the program, a person must be referred by a states attorney; which is the ultimate authority in determining who will participate. Other people are able to recommend participants. Of the nine participants, two were terminated from the program.

Representative Burg requested that the State's attorney be present at the next JCA meeting.

In response to Representative Putnam's question, Judge Percy stated that it does not matter the number of times a person is recommended for the program. Of the people they have had, some have a history of multiple violations.

Judge Percy informed the members that the people are ineligible for the program due to drugs other than meth.

The ten key components of the program have been identified that ensure a successful Drug Court Program. The type of people accepted to the program are not necessarily a threat to others but to themselves.

Drug testing is performed randomly and frequently (similar to a supervised probation) and done a minimum of 3 times per week. There are incentives and sanctions that are given immediately. Because the participant waived their right to a hearing on any matter, they are sanctioned immediately. A person can immediately be taken to jail if appropriate.

Judge Percy said that intensive supervision with the Court Services Officer (CSO) is a key component to the drug court program. A CSO can appear at any time and check to ensure that a participant is doing what he/she is supposed to be doing or is where they are supposed to be located. Within the timeframe of the reporting period, the CSO had 1,490 contacts with seven participants including curfew checks, telephone contacts, field visits, collateral and office visits.

There are many accomplishments of the program and even at the early stage of the program, UJS is able to see that the funding is making a difference. Every participant is employed fulltime, living on their own, and paying all their bills.

In response to Senator Apa's question, Judge Percy said that drug tests are performed in the morning and the followed up in the afternoon.

Representative Carson stated that the clients most likely would have been in jail if the drug court program was not available. In response, Judge Percy commented that each participant has previously been through the system. All except one participant have a ten year minimum sentence experience. The program has the most success with people that have prior jail experience and knows that they do not want to go back.

Military and Veteran's Affairs

Andy Gerlach, Deputy Secretary with the Department of Military and Veteran's Affairs, and **Larry Wilcox**, Superintendent of the State Veteran's Home, distributed to the committee a handout entitled "Providing Care for South Dakota's Veteran's" (**Document #7**).

Mr. Gerlach provided a status update on the consultant for State Veteran's Home matters. He said that there are 27 residents. Not all citizens want to travel to western South Dakota for the care. The state has the same issues in attracting and retaining as in other states. In the past two months the Department of Military and Veteran's Affairs (DMVA) have placed a request for proposal for long-term care services. The Lewin Group will assist the State in developing a strategy for providing services to the State's veterans.

Dr. Carol J. Simon will head this program. This assures that the findings, data, and recommendations of the study are consistent with the prior work and are addressing the needs of the veterans in South Dakota.

For purposes of scoping the work, DMVA has proposed this project begins on June 23 and ends on October 31, 2008. The department will work closely with the Lewin Group throughout the project and will provide a detailed work plan to the state.

The committee recessed at 3:30 p.m. and reconvened at 3:48 p.m.

Letters of Intent

Bureau of Information and Telecommunications

Representative Tidemann stated that he would like to have a report on the Research, Education, and Economic Development (REED) Network project from the Bureau of Information and Telecommunications (BIT) due to the size able amount of money appropriated. He would like the Bureau of Information and Telecommunications to provide written quarterly reports on the Research, Education, and Economic Development (REED) Network project to the Joint Appropriations Committee. The reports should include revised project timelines, budget status, and any other pertinent information.

REPRESENTATIVE DENNERT MOVED, SECONDED BY REPRESENTATIVE HAVERLY, THAT A LETTER OF INTENT BE WRITTEN ADVISING THE BUREAU OF INFORMATION AND TELECOMMUNICATIONS PROVIDE WRITTEN QUARTERLY REPORTS ON THE RESEARCH, EDUCATION, AND ECONOMIC DEVELOPMENT (REED) NETWORK PROJECT. THE REPORTS SHOULD INCLUDE REVISED PROJECT TIMELINES, BUDGET STATUS, AND ANY OTHER PERTINENT INFORMATION. The motion prevailed on a voice vote.

Department of Education

Representative Haverly suggested that the committee send a Letter of Intent to the Department of Education addressing the status of the laptop program.

Representative Putnam said that DOE should provide a report on the \$700,000 to the committee at the next meeting.

Annie Mehlhaff, Principal Fiscal Analyst with the Legislative Research Council, read a draft letter of Intent for DOE:

1. A written quarterly progress report on the pilot Classroom Connections Laptop Program should be provided to the committee and its staff. The report should include the following information for each program year beginning with the First Year schools:
 - Listing of schools in each group;
 - Number of laptops at each school;
 - Number of trained personnel at each school;
 - Amount provided by the State to each school for the Classroom Connections Program;
 - Amount provided by the local school district for the Classroom Connections Program;
 - State funding sources of payments to the schools for the Classroom Connections Program; and
 - Expenditures made by the Department to support the Classroom Connections Program (professional development, server access charges, software purchases, etc.).
2. The first report shall be presented at the fall 2008 Joint Appropriations Committee meeting.

Representative Haverly requested that all the numbers be symmetrical to allow for more ease while evaluating.

In response to Representative Dennert's question, Ms. Mehlhaff stated that the training for the teachers is allocated by the state DOE.

Representative Haverly said that the committee should look at the issue from a fiscal perspective. The Citibank funds are depleted. He believes the issue will be brought before the Appropriations Committee and Education Committee during session.

REPRESENTATIVE RAUSCH MOVED, SECONDED BY REPRESENTATIVE TIDEMANN, THAT A LETTER OF INTENT BE WRITTEN ADVISING THE DEPARTMENT OF EDUCATION THAT A WRITTEN QUARTERLY PROGRESS REPORT ON THE PILOT CLASSROOM CONNECTIONS LAPTOP PROGRAM SHOULD BE PROVIDED TO THE COMMITTEE AND ITS STAFF. THE REPORT SHOULD INCLUDE THE FOLLOWING INFORMATION FOR EACH PROGRAM YEAR BEGINNING WITH THE FIRST YEAR SCHOOLS:

- **LISTING OF SCHOOLS IN EACH GROUP;**
- **NUMBER OF LAPTOPS AT EACH SCHOOL;**
- **NUMBER OF TRAINED PERSONNEL AT EACH SCHOOL;**
- **AMOUNT PROVIDED BY THE STATE TO EACH SCHOOL FOR THE CLASSROOM CONNECTIONS PROGRAM;**
- **AMOUNT PROVIDED BY THE LOCAL SCHOOL DISTRICT FOR THE CLASSROOM CONNECTIONS PROGRAM;**
- **STATE FUNDING SOURCES OF PAYMENTS TO THE SCHOOLS FOR THE CLASSROOM CONNECTIONS PROGRAM; AND**
- **EXPENDITURES MADE BY THE DEPARTMENT TO SUPPORT THE CLASSROOM CONNECTIONS PROGRAM (PROFESSIONAL DEVELOPMENT, SERVER ACCESS CHARGES, SOFTWARE PURCHASES, ETC.).**

THE FIRST REPORT SHALL BE PRESENTED AT THE FALL 2008 JOINT APPROPRIATIONS COMMITTEE MEETING. The motion prevailed on a voice vote.

Department of Agriculture

Senator Apa asked about the number of employees the State Brand Board will need to hire and if the new employees can be funded under the current 80 cents a head; if not, will the rate be increased to the maximum cap of \$1.00 per head.

In response, **Larry Stearns**, Executive Director with the State Brand Board said that the Brand Board voted at the beginning of the month to take over brand inspection. This change passed 3 -2. To implement this program, the Brand Board is looking at one fulltime chief inspector, 15 fulltime inspectors, 1 brand clerk (clerical position), 1 part-time accountant, and about 60 - 70 local and part-time inspectors. The brand board is anticipating 17.5 FTE within the office and the others will be part-time local inspectors.

The funding for this program is all producer funds that are raised as a result of the brand inspection. The producer pays 80 cents per head and this money goes into the account to pay the associated expenses of the brand inspection program. He anticipates \$1.2 million in revenue that will pay the inspectors and administrative expenses.

Mr. Stearns said that in the beginning, the 80 cents per head will be fine to cover the expenses. It will take about six months to get through the fall run and evaluate the program to determine if the 80 cents will be adequate amount to charge.

In response to Senator Apa's question, Mr. Stearns said that the brand board is anticipating about 37.5 FTEs to account for the 20.0 FTEs for the part-time inspectors and the 17.5 FTEs within the office. The local part-time inspectors are contract inspectors and they are paid at the same level as prior under the Bureau of Personnel's pay scale.

Mr. Stearns stated that the brand inspection is only done on the western side of the state because the eastern half has not requested the services.

In response to Representative Glenski's and Representative Dennert's questions, Mr. Stearns said that the projected revenue of \$1.2 million is comparable to previous years. He is not certain how the FTEs were previously divided. Before, the full-time inspectors did not receive benefits, and those will now be included in the budget.

Mr. Stearns said, in response to Representative Dennert's request, that the Brand Board should have a brief report of the fall outcome for the next legislative session.

Representative Tidemann asked how many of the current brand inspectors will continue with the new program. In response, Mr. Stearns said that all but two of the fulltime inspectors will be coming on July 1. Thirty-five of the over 100 part-time local inspectors have committed. All of the existing inspectors were offered their positions first. As a result, the transition should be smooth.

REPRESENTATIVE TIDEMANN MOVED, SECONDED BY REPRESENTATIVE GLENSKI, THAT A LETTER OF INTENT BE WRITTEN ADVISING THE BRAND BOARD PROVIDE AN UPDATE DURING THE 2009 LEGISLATIVE SESSION ON THE FIRST SIX MONTHS OF THE BRAND INSPECTION PROGRAM. THE REPORT SHOULD INCLUDE THE REVENUES COLLECTED AND EXPENSES INCURRED FOR THE PROGRAM, THE NUMBER OF INSPECTORS AND ADMINISTRATIVE EMPLOYEES, AND ANY OTHER PERTINENT INFORMATION. The motion prevailed on a voice vote.

Representative Rausch requested the Letters of Intent also be sent to the chairs of the Government Operations and Audit committee.

West River Tour

Senator Apa informed the committee that the West River Tour will occur in late September or early October in order to get state rates for rooms in the Rapid City area. Recommendations for the tour include:

- Ellsworth Air Force Base – B1 Bomber on afternoon of day 1;
- The acreage that was donated;
- The constructed street and condemned building at South Dakota School of Mines and Technology; and
- Game, Fish and Park's outdoor campus.

Senator Hundstad suggested that the committee tour Black Hills State University.

Additional Information

Fred Schoenfeld, Chief Fiscal Analyst with the Legislative Research Council, distributed to the committee an LRC fiscal staff matrix. (**Document #8**)

Adjourn

REPRESENTATIVE CARSON MOVED, SECONDED BY REPRESENTATIVE DAVIS, TO ADJOURN. The motion prevailed unanimously on a voice vote.

The committee adjourned at 4:29 p.m.



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