



First Meeting
2012 Interim
March 19, 2012

LCR 1 & 2
State Capitol Building
Pierre, South Dakota

Monday, March 19, 2012

The first meeting of the Special Committee on Appropriations for 2012 was called to order by the Co-Chair, **Senator Corey Brown**, at 2:20 p.m. (CDT) in Legislative Conference Rooms 1 & 2 of the State Capitol, Pierre, South Dakota.

A quorum was determined with the following members answering the roll call: Senators Corey Brown (Co-Chair), Jeffrey Haverly, Phyllis Heineman, Kent Juhnke, Al Novstrup, Deb Peters, J.E. "Jim" Putnam, Billie Sutton, and Larry Tidemann (Vice Chair); and Representatives Dean Wink (Co-Chair), Jim Bolin, Lance Carson (Vice Chair), H. Paul Dennert, Dan Dryden, Fred Romkema, and Jim White. Representatives Bob Deelstra and Susan Wismer were excused.

Staff members present included Fred Schoenfeld, Chief Fiscal Analyst; Annie Mehlhaff, Principal Fiscal Analyst; Sue Cichos, Principal Fiscal Analyst; Aaron Olson, Senior Fiscal Analyst; Terry Miller, Senior Fiscal Analyst; and Cindy Tryon, 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). This meeting was web cast live. The archived web cast is available at the LRC web site at <http://legis.state.sd.us> under "Interim Information – Current Interim – Minutes and Agendas.")

Session Wrap-Up Materials

Mr. Fred Schoenfeld, Chief Fiscal Analyst, addressed the committee regarding the meeting information packet and its contents, first presenting the Session Wrap-Up materials which included: Summary of the FY13 Budget (**Document #1**); Summary of FY13 General Bill (**Document #2**) (includes the amendments to the general bill); and finally, the Preliminary Sources and Uses Score Card (**Document #3**) which is the updated version.

Interim Work Program – Preliminary

Mr. Schoenfeld then presented his *Thoughts on Long-Term Financial Plans* (**Document #4**).

Senator Larry Tidemann asked how the federal funds would fit into the long-term plan. Mr. Schoenfeld explained how the staff is addressing that issue. He believes they should be able to have this fleshed out by the June meeting.

Mr. Schoenfeld pointed out the three separate issues to focus on: first, identify assets in current year dollars, which includes identifying depreciation of those assets; second, identify liabilities; and, third, develop a statement of forward need.

Senator Tidemann asked how demolition of some buildings will fit into the plan. Mr. Schoenfeld said this was a good suggestion which needs to be incorporated into the plan. Mr. Schoenfeld stated that Senior Analyst Terry Miller's prior experience will be a great help in this area.

Senator Deb Peters said this is more of an operations issue and that the Government Operations and Audit Committee (GOAC) should be looking at this more closely and it should not be a part of the Appropriations discussion yet.

Chair Brown asked for other comments on this issue. Senator Peters said LRC should bring these questions to GOAC not to Appropriations. **Senator Jeffrey Haverly** suggested the chairs and vice chairs discuss this in more detail prior to the next meeting. He agrees with Senator Peters' comments regarding GOAC. Senator Tidemann sees value in projecting long-term plans, putting these together and working jointly with GOAC.

Representative Jim White agreed with Senator Tidemann's comments. He believes that this historical data and the projections give them a better basis and that it has information the committee will use daily.

Representative Fred Romkema agreed with the comments made by Senator Tideman and Representative White.

Senator Phyllis Heineman asked questions about evaluating outcome data from the agencies and what they look at in determining the value of certain programs. Mr. Schoenfeld said that is an additional topic for discussion and is not used in the plan at this time.

Chair Brown said there seems to be a consensus that there is merit in preparing a long-term financial plan and suggested they set up a subcommittee made up of members from Appropriations and GOAC to work on this issue. He asked the members to let him or Representative Wink know if they are interested in serving on the subcommittee.

Mr. Schoenfeld then talked about the interim appropriation tours. A desire to resume these tours had been demonstrated by some committee members so the staff put together a list of items for the committee to consider (**Document #5**). This information was mainly provided for thought and discussion. Chair Brown asked Representative Dennert for his comment on the tours.

Representative H. Paul Dennert said all the suggestions were viable and it would be good for the committee to visit any and all of the places suggested. **Senator Jim Putnam** added that these tours give the committee a hands-on approach to decisions they make throughout the year. The down-side to the tours is making the travel schedule work for everyone. Both Representative Dennert and Senator Putnam offered to make suggestions on facilities to tour.

Chair Brown directed the staff to continue working on a plan that would set a tour beginning this fall to some west river sites.

Letters of Intent

Chair Brown gave a brief description of the Letters of Intent and the purpose they serve **(Document #6)**.

Letter of Intent #1 (Document #7)

Legislative Act: SB48

Department/Agency: Department of Social Services

Requesting Legislator: Senator Brown

One-Time Carryover of DSS Funds

The 2012 Legislature approved SB48, revising the General Appropriations Act for FY12. Section 28 of that bill allows the department to carryover up to \$20 million dollars in general funds from its FY12 budget to FY13. This will be a one-time carryover. During testimony for SB48, the Committee was told the availability of this additional \$20M would provide more transparency, more predictability to the process and that the carryover was a new tool to manage Medicaid claims which would result in closer budgeting.

The Department should provide written quarterly updates beginning July 2012 through July 2013 to the Joint Appropriations Committee and its staff explaining how this carryover has improved the process. The reports should include the amount and disposition of carryover funding and FY13 budget status. The report should include if/how the carryover funds are being used and how those funds impact the FY13 budget and the FY14 budget request. In the January 2013 report, the department should also identify if it plans to propose a carryover from FY13 to FY14 and if so, how much.

Also, at each interim Joint Appropriations Committee meeting and during the 2013 Legislative Session the Department should be available to discuss these updates and answer questions.

Senator Brown introduced this letter stating that the committee needs to be kept in the loop on these dollars appropriated to DSS. Senator Putnam said policy needs to be set on what might come at a later date and we should not allow this to continue to become a large slush fund. Chair Brown said that he would like a little background so that we can make a better decision next year. **Representative Lance Carson** then commented on the intent of the bill. Senator Brown responded to Carson's comments. **Representative Jim Bolin** asked that the department be more accurate in the future. Senator Brown would like to receive updates to see that that is actually happening. Representative Bolin said that, hopefully, in the future we should not see large amounts of overestimation. Senator Peters said that this should level out the swings we have seen in the past. Representative Dennert stated that Representative Wismer would like to be here for this discussion. He agrees with many of the comments that have been made and would like to be informed as to when and why the Department has to tap that reserve. He pointed out that they have plenty of opportunities to keep the committee informed. **Senator Billie Sutton** said he received a message from Representative Wismer and that she is okay with this letter of intent.

SENATOR TIDEMANN MOVED, SECONDED BY SENATOR PETERS TO ADOPT THE LETTER OF INTENT FOR THE ONE-TIME CARRYOVER OF DSS FUNDS. The motion passed 15-0-3.

Chair Brown presented letter of intent #2 and explained it. **(Document #8)**

Letter of Intent #2

Legislative Act: HB1137

Department/Agency: Department of Education

Requesting Legislator: Senator Brown

Nonrecurring State Aid to General Education Formula

The 2012 South Dakota Legislature approved a one-time, nonrecurring increase of \$8,689,359 to the State Aid to General Education budget in HB1137 which amended the FY2012 General Appropriations Act.

It was the goal of the Committee that the one-time, nonrecurring money assist each school district proportionally, therefore the Committee directs the Secretary of the Department of Education to distribute the funds on a fall enrollment basis using the actual 2011 fall enrollment figures.

It is also the intent of the Joint Committee on Appropriations that the one-time, nonrecurring money consist entirely of State General Funds and not affect the rate of any property tax levy.

SENATOR TIDEMANN MOVED, SECONDED BY SENATOR PUTNAM, TO ADOPT THE LETTER OF INTENT FOR NONRECURRING STATE AID TO GENERAL EDUCATION FORMULA. The motion passed 15-0-3.

Representative Carson presented letter of intent #3. **(Document #9)**

Letter of Intent #3

Legislative Act: SB197

Department/Agency: Office of School and Public Lands

Requesting Legislator: Representative Carson

State Owned Dam Maintenance and Repair

The Joint Committee on Appropriations approved an increase of \$500,000 in general funds for the Office of School and Public Lands. Through the adoption of amendment 197ad, the FY13 operating expense budget was increased from \$105,969 to \$605,969.

It is the intent of the Committee that the Commissioner of School and Public Lands will utilize the additional funding for actual repairs and maintenance of state owned dams under the control of any state agency. The funding should not be used for studies or assessments.

It is also the intent of the Committee that the Commissioner will find matching funds from other entities or individuals who have a vested interest in the safety and longevity of the aging dams.

Representative Bolin asked that the commissioner of School and Public Lands give an update regarding this issue to the committee when appropriate.

Senator Tidemann asked that the maximum be included. Senator Putnam said there is no set number and that putting a number in there would be too limiting. Representative Dennert said there is different funding available and they should be allowed to determine that without a limit.

Senator Al Novstrup asked Representative Carson about the rankings of dams that need repairs and establishing as to which are most critical. Representative Carson said that information is available and will be used in making these decisions.

SENATOR TIDEMANN MOVED, SECONDED BY PETERS, TO ADOPT THE LETTER OF INTENT FOR STATE OWNED DAM MAINTENANCE AND REPAIR. The motion passed 14-1-3

Letter of intent #4 was presented by Senator Brown. **(Document #10)**

Letter of Intent #4

Legislative Act: HB1137

Department/Agency: Departments of Social Services, Human Services, Corrections and the Unified Judicial System

Requesting Legislator: Senator Brown

One-Time Funding for Providers

This letter of intent is to inform you and the public of the intent of the Senate and House Joint Appropriations Committee for implementation of HB1137, An Act to revise the General Appropriations Act for fiscal year 2012 and to declare an emergency, specifically Section 13.

The letter of intent serves three purposes:

- 1. Supplements HB1137 by providing policy guidance for implementation of Section 13.*
- 2. Conveys the committee's wishes as to how the funds are to be distributed to community providers.*
- 3. Provides some documentation as to the basis of decisions that were part of the construction of HB1137. This letter of intent serves as a document for future reference.*

The funds appropriated through HB1137, Section 13 are in two categories \$4,030,039 in general funds and \$4,204,303 in federal fund authority appropriated in Section 8, chapter 23 of the 2011 Session Law for the purposes of providing a one-time increase to various community providers. These funds are to be used by the community providers to provide a one-time salary adjustment for employees of the organizations in State Fiscal Year 2012. The increase may not be provided in the form of an on-going salary increase. The funds may also not be used to cover salary increases already provided by an organization.

The funds will be provided to each individual provider through a 3% increase on the provider's current reimbursement level (SFY12) by the Department of Social Services, the Department of Human Services, the Department of Corrections or the Unified Judicial System depending upon which department has oversight responsibility. The committee requests that departments notify providers that in order to receive the one-time funds, each provider must agree to submit in writing to the appropriate department a document that states the funds were provided to their employees and the distribution method utilized. The committee recognizes individual providers will receive varying amounts of funds to provide the one-time salary adjustment for their employees based upon the payor-mix of the organization.

If you have any questions or concerns regarding the contents of this letter of intent, please contact the committee through its co-chairs.

Sue Cichos, Principal Fiscal Analyst, distributed the attachment to this letter of intent **(Document #11)**.

SENATOR TIDEMANN MOVED, SECONDED BY SENATOR HAVERLY, TO ADOPT THE LETTER OF INTENT FOR ONE-TIME FUNDING FOR PROVIDERS. The motion passed 15-0-3.

Letters of Intent #5 and #6

Chair Brown said that since both Letters #5 **(Document #12)** and #6 **(Document #13)** are regarding the same appropriation made to the technical institutes in SB197, they should both be discussed before taking action.

Representative Carson presented his letter (#6) stating that the intent of this one-time money is for equipment and repairs at the technical institutes.

Senator Haverly presented Letter #5 stating that the intent of funding is ongoing and should be earmarked for scholarships at the technical institutes.

Representative Bolin said that he supports Carson's letter of intent in that the money should go to equipment and repairs. This would not be an overly aggressive repair fund.

Senator Peters stated that her understanding of the intent during floor debate was that this would be left up to the Department of Education not that it needs to be tied to equipment and

repairs. This does not need to be thrown into equipment. She believes that Senator Haverly's letter best follows the intent of the legislature.

Representative Carson disagreed with Senator Peters remarks. Representative Carson stated that Representative Wink's comments on the floor were that this should be one-time money for repairs and equipment. Senator Haverly explained that he feels this should be considered ongoing spending not one-time money.

Representative Dennert asked to have the tech school people in attendance speak to these letters. Chair Brown granted his request.

Deb Shepherd, Lake Area Technical Institute, Watertown, SD, was asked to address the committee. She said that they needed equipment even though it was not requested because of the obvious budget issues. However, critical labor shortages in this state demand the Tech schools assist people get the training needed to meet the need. This money could help the Tech schools to do that through scholarships. She said that if she had to choose between the two letters of intent, she would like to see the money go for scholarships.

Jeff Holcomb, Southeast Technical Institute, Sioux Falls, SD, commented that he appreciated the support in both areas but would find the scholarships giving the best assistance at this time.

Senator Haverly thanked Ms. Shepherd and Mr. Holcomb for their comments and complimented the Tech Schools on their achievements.

Senator Tidemann asked Senator Haverly about some of the specifics that are not included in the letter. Senator Haverly said that the amounts are decided through the distribution formula and that the Tech School Presidents will be asked to come back and report to the committee. Senator Tidemann asked for specifics as to the size of the scholarships and their requirements. Senator Peters said that she believes this should be left up to each of the schools, as they know best how to make this work. Senator Haverly added that flexibility is key in this letter of intent.

Senator Sutton said that the most important issue is how to fill the high needs jobs fastest. This letter would help get that done in the most efficient manner.

Representative Dennert pointed out that SB77 was a scholarship program and was killed on the floor. He then thanked Jeff and Deb for talking to the committee about this issue. He added that he believes the scholarship program was the original intent of this bill.

Representative Dan Dryden said that no matter which letter we adopt, it becomes ongoing. SB 77 was voted down and this is another way to bring it back. Who decided to put it up in the bill and not at the end of the bill? Senator Peters responded by saying that she had tried to clarify that at the time.

Representative Carson said that at no time did Representative Wink ever intend this to be ongoing money; it was intended to be one-time money for equipment and repairs.

Senator Haverly said that he had asked that question at the time and never heard what the intent was at that time.

Representative White asked if there was a number/minimum he would like to see raised for the matching funds mentioned in paragraph 3. Senator Haverly responded by pointing out that it should encourage them to find partnerships but not set requirements. Representative White then said that they should report back on how many dollars were matched. Senator Haverly agreed with that idea. He pointed out that it does say in paragraph 4, "other related data as requested". Senator Peters asked the presidents to include that information in their report and they nodded "yes" in response.

Letter of Intent #5

Legislative Act: SB197

Department/Agency: Department of Education

Requesting Legislator: Senator Haverly

Postsecondary Vocational Education

The Joint Committee on Appropriations approved an increase of \$500,000 for the four postsecondary technical institutes. Through the adoption of amendment 197mn, the FY13 budget was increased from \$20,896,857, which was recommended by the Governor, to \$21,396,857 made up entirely of State General Funds.

It is the intent of the Committee that the Secretary of Education shall make the additional amount available to the Lake Area Technical Institute, the Southeast Technical Institute, the Mitchell Technical Institute and the Western Dakota Technical Institute based on the existing funding distribution formula prescribed in administrative rule ARSD 24:10:42:28.

In addition, the Committee directs that the presidents of the four technical institutes use the additional amounts received in this distribution, or a like amount of other funding, to establish a scholarship program that would address critical needs areas of the state's work force, or enhance existing scholarship programs which address those same needs. The presidents are encouraged to find partnerships with private industry and education foundations that could leverage additional scholarship funding.

Each campus is required to submit a written report annually to the Committee detailing the scholarship requirements, the number of scholarship recipients, the amounts awarded during each semester, the critical needs areas addressed, and any other related data as requested. The annual reports are due December 31 of each year.

SENATOR TIDEMANN MOVED, SECONDED BY SENATOR PETERS, TO ADOPT THE HAVERLY LETTER OF INTENT FOR POSTSECONDARY VOCATIONAL EDUCATION. The motion passed 10-5-3.

Letter of Intent #6

Legislative Act: SB197

Department/Agency: Department of Education

Requesting Legislator: Representative Carson

Postsecondary Vocational Education

The Joint Committee on Appropriations approved an increase of \$500,000 for the four postsecondary technical institutes. Through the adoption of amendment 197mw, the FY13 budget was increased from \$20,896,857, which was recommended by the Governor, to \$21,396,857 made up entirely of State General Funds.

It is the intent of the Committee that this additional funding should be used by the Technical Institutes primarily to support the repair, upgrade or purchase of equipment needed for current or new programs. This funding should be distributed by the Department of Education in accordance with its current distribution formula set forth in administrative rule ARSD 24:10:42:28.

Representative Carson withdrew this letter of intent.

Other Business

Chair Brown then asked if any member had additional business to discuss. Senator Heineman asked about the Medicaid Solutions Task Force long-term updates that were requested in last year's letter of intent. Senator Peters said that she had just received those updates and a written summary would be distributed as soon as possible.

Adjourn

SENATOR PETERS MOVED, SECONDED BY SENATOR JUHNKE, TO ADJOURN. The motion prevailed unanimously on a voice vote.

The committee adjourned at 4:00 p.m.



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