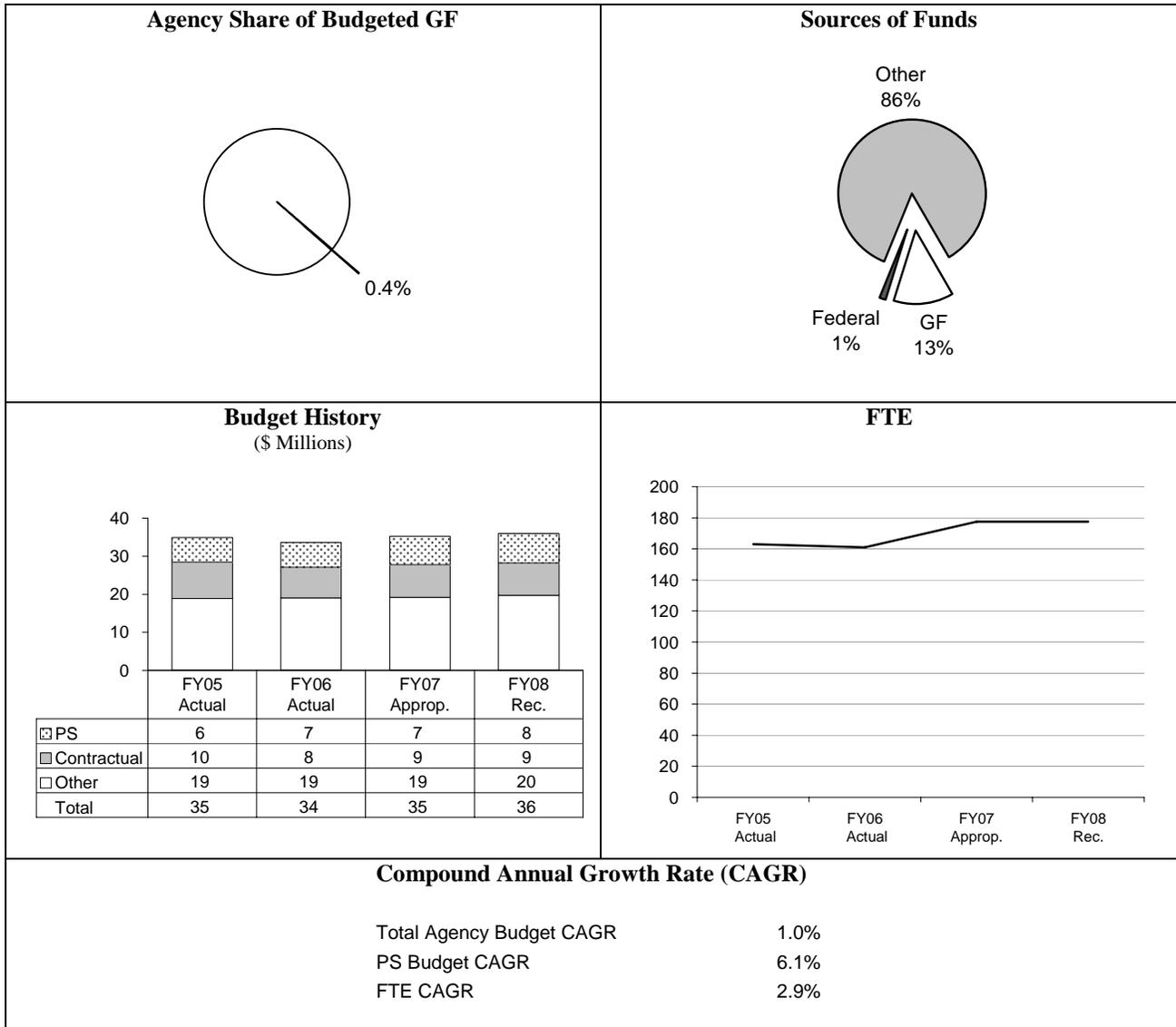


FY08 Budget Briefing

Bureau of Administration



Key Responsibilities

- To provide purchasing, printing, mailing, risk management, space, records, property, fleet, engineering, and support services for state government agencies; and to maintain buildings and grounds.

Key Personnel

- Jeff Bloomberg, Commissioner
- Jim Neiles, Finance Officer

Department Total – BOA

The Bureau of Administration, part of the Department of Executive Management, is a centralized agency that serves the rest of state government with engineering, purchasing, printing, mailing, risk management, fleet, and other support services. It also manages the state's buildings, grounds, office space, property, and records.

Item:	Actual FY06	Budgeted FY07	Agency Requested FY08	Governor's Recommended FY08	Inc/Dec FY08	% Change From FY07
Personal Services	6,517,507	7,441,208	7,441,208	7,715,279	274,071	3.7%
Travel	131,016	143,095	143,095	143,095	-	0.0%
Contractual Services	8,057,057	8,559,511	8,508,604	8,508,604	(50,907)	(0.6%)
Supplies & Materials	4,300,552	4,573,828	4,723,828	4,723,828	150,000	3.3%
Grants And Subsidies	-	-	-	-	-	0.0%
Capital Outlay	13,922,412	12,712,378	12,712,378	13,087,809	375,431	3.0%
Other	685,784	1,800,000	1,800,000	1,800,000	-	0.0%
Total	33,614,328	35,230,020	35,329,113	35,978,615	748,595	2.1%
Funding Types:						
General	5,137,001	5,132,173	5,082,666	4,714,277	(417,896)	(8.1%)
Federal	500,000	500,000	500,000	500,000	-	0.0%
Other	27,977,327	29,597,847	29,746,447	30,764,338	1,166,491	3.9%
Total	33,614,328	35,230,020	35,329,113	35,978,615	748,595	2.1%
FTE	161.0	177.5	177.5	177.5	0.0	0.0%

SALARY POLICY

The Governor's recommendation throughout this analysis also includes funding for Performance And Compensation Equity (PACE) movement of 2.5% for those employees who are paid under the job-worth of their pay range, a 3% across-the-board increase for all permanent employees, and an increase in the employer paid portion of the state health insurance plan. The recommended amounts for each segment of the compensation package for the Bureau of Administration are as follows:

	General Funds	Federal Funds	Other Funds	Total
2.5% PACE Movement	2,889	-	40,562	43,451
3% Across-the-Board	12,623	-	180,982	193,605
Health Insurance	1,709	-	35,306	37,015
Total	17,221	-	256,850	274,071

Major Expansion and Reduction

Budget Item	Agency Request			Governor's Recommendation		
	State General Fund	All Funds	FTE	State General Fund	All Funds	FTE
A. Central Services		150,000			150,000	
B. Statewide M & R	(385,610)	761,041		(385,610)	761,041	
Total of items listed	(385,610)	911,041	0.0	(385,610)	911,041	0.0

- A. The Governor recommends an **increase of \$150,000** for the projected increase in energy costs as estimated by the Energy Management Engineer.
- B. Statewide Maintenance and Repair: **Net increase of \$375,431.** Reduction of \$385,610 general funds in BOA with an equal total increase to all agency budgets and an increase of \$761,041 Other Funds. A recalculation of the way the Capital Complex (CC) Maintenance and Repair is recovered (using a 2% use allowance in lieu of depreciation) is the result of adding three additional buildings (the Health Lab, the Cultural Heritage Center, and the new DCI building) to the total value of the CC. A decrease of \$385,610 in general funds in BOA is offset by an increase in general funds in the other agencies within the CC. BFM has also impacted each agencies federal fund authority and other fund authority based on their square footage and the percentage of general, federal, and other funds they use to pay their space billing rate. BFM indicates this change will increase the amount of money that can be spent on CC M&R without impacting the general fund.

Administrative Services

The division provides administrative, personnel, financial, and legal services to the Bureau of Administration. It also provides the services to the rest of state government necessary to maintain a good working environment while minimizing the adverse effects of accidental losses.

The total recommended budget for Administrative Services consists of \$643,794 from the General Fund, no federal funds, and \$515,037 of other funds; for a total budget of \$1,158,831 and 6.0 FTEs.

Item:	Actual FY06	Budgeted FY07	Agency Requested FY08	Governor's Recommended FY08	Inc/Dec FY08	% Change From FY07
Personal Services	291,143	398,117	398,117	412,660	14,543	3.7%
Travel	8,706	13,816	13,816	13,816	-	0.0%
Contractual Services	689,509	721,486	710,154	710,154	(11,332)	(1.6%)
Supplies & Materials	9,582	20,201	20,201	20,201	-	0.0%
Grants And Subsidies	-	-	-	-	-	0.0%
Capital Outlay	4,032	2,000	2,000	2,000	-	0.0%
Other	5	-	-	-	-	0.0%
Total	1,002,977	1,155,620	1,144,288	1,158,831	3,211	0.3%
Funding Types:						
General	630,745	653,726	643,794	643,794	(9,932)	(1.5%)
Federal	-	-	-	-	-	0.0%
Other	372,232	501,894	500,494	515,037	13,143	2.6%
Total	1,002,977	1,155,620	1,144,288	1,158,831	3,211	0.3%
FTE	4.2	6.0	6.0	6.0	0.0	0.0%

REVENUES - No Revenues Reported

PERFORMANCE INDICATORS

	FY06			FY07			FY08
	Original Estimate	Actual	Difference Over (Under) Estim.	Original Estimate	Current Estimate	Change in Estimate	Estimate
Risk Management and Hazard Audits	8	9	1	8	10	2	10
Cost Per FTE (General)	190	190	0	190	190	0	190

Sale Leaseback (BFM/BOA)

The program makes payments pursuant to the lease between the Bureau of Administration and the Building Authority dated December 1, 1986.

The total recommended budget consists of \$676,175 from the General Fund and no FTEs.

Item:	Actual FY06	Budgeted FY07	Agency Requested FY08	Governor's Recommended FY08	Inc/Dec FY08	% Change From FY07
Personal Services	-	-	-	-	-	0.0%
Travel	-	-	-	-	-	0.0%
Contractual Services	761,138	715,750	676,175	676,175	(39,575)	(5.5%)
Supplies & Materials	-	-	-	-	-	0.0%
Grants and Subsidies	-	-	-	-	-	0.0%
Capital Outlay	-	-	-	-	-	0.0%
Other	-	-	-	-	-	0.0%
Total	761,138	715,750	676,175	676,175	(39,575)	(5.5%)
Funding Types:						
General	761,138	715,750	676,175	676,175	(39,575)	(5.5%)
Federal	-	-	-	-	-	0.0%
Other	-	-	-	-	-	0.0%
Total	761,138	715,750	676,175	676,175	(39,575)	(5.5%)
FTE	0.0	0.0	0.0	0.0	0.0	0.0%

REVENUES - No Revenues Reported

PERFORMANCE INDICATORS - None Reported

Sale/Leaseback History:

In the 1980's the Legislature sold most state owned buildings and leased them back for state use. This was a revenue generating initiative for the state to use the investment income on the money received from the sale of the buildings. Part of the investment income was to be used to pay for the leases, and the other portion would be realized as net earnings.

The state sold its office buildings valued at approximately \$200,000,000 to the South Dakota Building Authority.

To pay for the buildings, the South Dakota Building Authority sold bonds. Bond payments by SDBA to the bondholders would be made out of payments by the state for the use of the same buildings.

The state then took the \$200,000,000 and purchased an annuity contract for \$183,500,000 on the lives of a pool of retired state employees in the SDRS. The revenue stream to the state from the annuity contract would be used to make payments to the SDBA. Of the remaining \$16.5 million, \$14.5 million was used to fund one-time capital projects, and \$2 million was held in reserve to protect against the pool of retired employees dying faster than actuarial projections.

At the end of the 30-year contract (2016), the state will resume ownership of the buildings from the South Dakota Building Authority.

Authority provides for the payment of the original sale/leaseback (Foss, Anderson, State Library, Commerce Building, Becker-Hansen, and Soldiers' and Sailors' War Memorial buildings). The original closing date was December 18, 1986, and the final payment will be December 1, 2016. The funds budgeted are receipted and paid out the same day. There is no impact to the General Fund. Payments associated with this sale/leaseback are funds 0112 and 0122. The activity was refinanced in 1996 to take advantage of a more favorable interest rate. The final payment remains Dec. 1, 2016.

The reduction is based on the payment schedule provided by the South Dakota Building Authority.

This is only a portion of the sales-leaseback initiative; the remaining portion is reported through the Bureau of Finance and Management's budget

Central Services

The division provides other government agencies with services of purchasing, lease negotiations & management, supplies, printing, mail, travel, surplus property, and records management.

The total recommended budget for Central Services consists of \$395,970 from the General Fund, no federal funds, and \$23,334,063 from other funds; for a total budget of \$23,730,033 and 151.5 FTEs.

Item:	Actual FY06	Budgeted FY07	Agency Requested FY08	Governor's Recommended FY08	Inc/Dec FY08	% Change From FY07
Personal Services	5,061,001	5,817,396	5,817,396	6,031,952	214,556	3.7%
Travel	37,728	55,264	55,264	55,264	-	0.0%
Contractual Services	4,422,723	5,746,568	5,746,568	5,746,568	-	0.0%
Supplies & Materials	4,249,236	4,495,171	4,645,171	4,645,171	150,000	3.3%
Grants and Subsidies	-	-	-	-	-	0.0%
Capital Outlay	7,927,914	6,751,078	6,751,078	6,751,078	-	0.0%
Other	277,798	500,000	500,000	500,000	-	0.0%
Total	21,976,400	23,365,477	23,515,477	23,730,033	364,556	1.6%
Funding Types:						
General	382,029	389,204	389,204	395,970	6,766	1.7%
Federal	-	-	-	-	-	0.0%
Other	21,594,371	22,976,273	23,126,273	23,334,063	357,790	1.6%
Total	21,976,400	23,365,477	23,515,477	23,730,033	364,556	1.6%
FTE	137.3	151.5	151.5	151.5	0.0	0.0%

REVENUES

	<u>FY06</u>			<u>FY07</u>			<u>FY08</u>
	Original Estimate	Actual	Difference Over (Under) Estim. Estim.	Original Estimate	Current Estimate	Change in Estimate	Estimate
Surplus Property Sales	2,100,000	2,305,717	205,717	3,000,000	3,000,000	0	3,000,000
Legislative Publications	6,000	8,992	2,992	7,000	7,000	0	7,000
Postage	3,000,000	3,717,564	717,564	3,400,000	3,700,000	300,000	3,800,000
Sales of Supplies	1,700,000	1,655,044	(44,956)	1,750,000	1,750,000	0	1,750,000
Federal Surplus Sales Off-Budget	4,750,000	4,036,052	(713,948)	4,500,000	4,500,000	0	4,500,000
Vehicle Sales	800,000	928,359	128,359	800,000	800,000	0	800,000
Total	12,356,000	12,651,728	295,728	13,457,000	13,757,000	300,000	13,857,000

- The Governor recommends an **increase of \$150,000** for the projected increase in energy costs as estimated by the Energy Management Engineer.
- The Governor's Mansion budget is included in this division.

Actual FY2002 expenditures were \$245,064.
 Actual FY2003 expenditures were \$211,675.
 Actual FY2004 expenditures were \$195,165.
 Actual FY2005 expenditures were \$213,910.
 Actual FY2006 expenditures were \$297,543.
 \$303,991 is budgeted for FY2007.
 \$312,705 is recommended for FY2008.

(Additional information not related to the State's budget: Last year the Appropriations Committee was told that a private fund raising committee has funds and/or pledges to create a \$150,000 endowment for the Governor's Mansion. Although this is not part of the Bureau of Administration's budget the Commissioner did express his intention of keeping the committee informed on this matter.)

PERFORMANCE INDICATORS

	<u>FY06</u>			<u>FY07</u>			<u>FY08</u>
	Original Estimate	Actual	Difference Over (Under) Estim.	Original Estimate	Current Estimate	Change in Estimate	Estimate
Purchase Orders Issued	9,500	8,123	(1,377)	9,000	8,500	(500)	8,500
Annual Contracts	350	331	(19)	300	300	0	300
Public Auctions Held	7	6	(1)	7	7	0	7
Pieces of Mail Handled/Year	10,500,000	9,977,094	(522,906)	10,500,000	10,500,000	0	10,500,000
Fleet Vehicles	3,175	3,342	167	3,190	3,300	110	3,300
Total Miles Driven	37,500,000	39,406,852	1,906,852	39,000,000	39,000,000	0	39,000,000
Leases/Total Sq. Ft.	170/745,000	174/775,400	NA	168/748,000	178/784,000	NA	180/792,000
Boxes of Records Stored	11,097	11,774	677	11,914	12,140	226	12,500
Rolls of Film Stored	79,757	79,047	(710)	79,499	80,170	671	81,293
Printing Impressions	50,916,059	40,478,866	(10,437,193)	46,375,000	42,000,000	(4,375,000)	42,000,000
Copies Made	14,019,080	11,893,286	(2,125,794)	14,669,816	13,000,000	(1,669,816)	13,000,000

State Engineer

The State Engineer advises the state on the planning, design, construction, maintenance, operation, and use of state-owned buildings.

The total recommended budget for State Engineer consists of no General Funds; no federal funds, and \$1,027,610 from other funds, for a total budget of \$1,027,610 and 13.0 FTEs.

Item:	Actual FY06	Budgeted FY07	Agency Requested FY08	Governor's Recommended FY08	Inc/Dec FY08	% Change From FY07
Personal Services	615,934	780,842	780,842	809,513	28,671	3.7%
Travel	39,522	45,564	45,564	45,564	-	0.0%
Contractual Services	97,977	137,483	137,483	137,483	-	0.0%
Supplies & Materials	15,899	33,000	33,000	33,000	-	0.0%
Grants and Subsidies	-	-	-	-	-	0.0%
Capital Outlay	5,903	2,050	2,050	2,050	-	0.0%
Other	-	-	-	-	-	0.0%
Total	775,235	998,939	998,939	1,027,610	28,671	2.9%
Funding Types:						
General	-	-	-	-	-	0.0%
Federal	-	-	-	-	-	0.0%
Other	775,235	998,939	998,939	1,027,610	28,671	2.9%
Total	775,235	998,939	998,939	1,027,610	28,671	2.9%
FTE	10.8	13.0	13.0	13.0	0.0	0.0%

REVENUES

	FY06		Difference Over (Under) Estim.	FY07			FY08
	Original Estimate	Actual		Original Estimate	Current Estimate	Change in Estimate	Estimate
Billings	750,000	711,226	(38,774)	750,000	750,000	0	750,000
Total	750,000	711,226	(38,774)	750,000	750,000	0	750,000

PERFORMANCE INDICATORS

	FY06		Difference Over (Under) Estim.	FY07			FY08
	Original Estimate	Actual		Original Estimate	Current Estimate	Change in Estimate	Estimate
Value of Construction Work Completed	NA	55,768,124	NA	NA	55,000,000	NA	55,000,000
Cost of Projects Awarded	NA	18,359,591	NA	NA	40,000,000	NA	40,000,000

Statewide Maintenance and Repair

The division fixes and extends the useful life of state-owned properties including the Capital Complex, institutions under the authority of the Department of Corrections, Department of Human Services, and the State Veterans Home.

The total recommended budget for Statewide Maintenance and Repair consists of \$2,614,390 from the General Fund, \$500,000 from federal funds, and \$3,211,041 from other funds: for a total budget of \$6,325,431 and no FTEs.

Item:	Actual FY06	Budgeted FY07	Agency Requested FY08	Governor's Recommended FY08	Inc/Dec FY08	% Change From FY07
Personal Services	-	-	-	-	-	0.0%
Travel	5,071	-	-	-	-	0.0%
Contractual Services	-	-	-	-	-	0.0%
Supplies & Materials	14,473	-	-	-	-	0.0%
Grants and Subsidies	-	-	-	-	-	0.0%
Capital Outlay	5,930,456	5,950,000	5,950,000	6,325,431	375,431	6.3%
Other	-	-	-	-	-	0.0%
Total	5,950,000	5,950,000	5,950,000	6,325,431	375,431	6.3%
Funding Types:						
General	3,000,000	3,000,000	3,000,000	2,614,390	(385,610)	(12.9%)
Federal	500,000	500,000	500,000	500,000	-	0.0%
Other	2,450,000	2,450,000	2,450,000	3,211,041	761,041	31.1%
Total	5,950,000	5,950,000	5,950,000	6,325,431	375,431	6.3%
FTE	0.0	0.0	0.0	0.0	0.0	0.0%

REVENUES

	<u>FY06</u>			<u>FY07</u>			<u>FY08</u>
	Original Estimate	Actual	Difference Over (Under) Estim.	Original Estimate	Current Estimate	Change in Estimate	Estimate
Fund 3113	660,000	710,753	50,753	665,000	720,000	55,000	730,000
Total	660,000	710,753	50,753	665,000	720,000	55,000	730,000

PERFORMANCE INDICATORS – None Reported

- Statewide Maintenance and Repair: **Net increase of \$375,431.** Reduction of \$385,610 general funds in BOA with an equal total increase to all agency budgets and an increase of \$761,041 Other Funds. A recalculation of the way the Capital Complex (CC) Maintenance and Repair is recovered (using a 2% use allowance in lieu of depreciation) is the result of adding three additional buildings (the Health Lab, the Cultural Heritage Center, and the new DCI building) to the total value of the CC. A decrease of \$385,610 in general funds in BOA is offset by an increase in general funds in the other agencies within the CC. BFM has also impacted each agencies federal fund authority and other fund authority based on their square footage and the percentage of general, federal, and other funds they use to pay their space billing rate. BFM indicates this change will increase the amount of money that can be spent on CC M&R without impacting the general fund

Office of Hearing Examiners

The office is responsible for impartial administrative hearings.

The total recommended budget for the Office of Hearing Examiners consists of \$383,948 from the State General Fund and 4.0 FTEs.

Item:	Actual FY06	Budgeted FY07	Agency Requested FY08	Governor's Recommended FY08	Inc/Dec FY08	% Change From FY07
Personal Services	276,802	287,206	287,206	297,661	10,455	3.6%
Travel	2,228	7,951	7,951	7,951	-	0.0%
Contractual Services	38,527	62,586	62,586	62,586	-	0.0%
Supplies & Materials	7,155	13,500	13,500	13,500	-	0.0%
Grants and Subsidies	-	-	-	-	-	0.0%
Capital Outlay	38,377	2,250	2,250	2,250	-	0.0%
Other	-	-	-	-	-	0.0%
Total	363,089	373,493	373,493	383,948	10,455	2.8%
Funding Types:						
General	363,089	373,493	373,493	383,948	10,455	2.8%
Federal	-	-	-	-	-	0.0%
Other	-	-	-	-	-	0.0%
Total	363,089	373,493	373,493	383,948	10,455	2.8%
FTE	4.1	4.0	4.0	4.0	0.0	0.0%

REVENUES - None Reported

PERFORMANCE INDICATORS

	<u>FY06</u>			<u>FY07</u>			<u>FY08</u>
	Original Estimate	Actual	Difference Over (Under) Estim.	Original Estimate	Current Estimate	Change in Estimate	Estimate
Equalization	150	229	79	120	160	40	160
DECA	5	7	2	10	8	(2)	8
Driver Improvement	260	183	(77)	165	50	(115)	50
Revenue	50	49	(1)	76	60	(16)	60
Insurance	13	32	19	29	30	1	30
Real Estate	11	6	(5)	20	10	(10)	10
DOH	3	7	4	5	7	2	7
BOP	5	4	(1)	4	4	0	4
DOL	4	2	(2)	1	2	1	2
DOA	4	8	4	2	6	4	6
DOB	6	15	9	20	15	(5)	15
DHS	3	5	2	6	6	0	6
Lottery	1	3	2	3	2	(1)	2
GFP	2	2	0	3	2	(1)	2

PEPL Fund Administration – Informational

The Public Entity Pool for Liability (PEPL) Fund provides tort claims coverage for state employees and loss control services.

The total recommended budget for the PEPL Fund Administration consists of \$1,376,587 from other funds and 3.0 FTEs.

Item:	Actual FY06	Budgeted FY07	Agency Requested FY08	Governor's Recommended FY08	Inc/Dec FY08	% Change From FY07
Personal Services	272,622	157,647	157,647	163,493	5,846	3.7%
Travel	35,382	20,500	20,500	20,500	-	0.0%
Contractual Services	1,288,393	1,175,638	1,175,638	1,175,638	-	0.0%
Supplies & Materials	4,208	11,956	11,956	11,956	-	0.0%
Grants and Subsidies	-	-	-	-	-	0.0%
Capital Outlay	15,728	5,000	5,000	5,000	-	0.0%
Other	-	-	-	-	-	0.0%
Total	1,616,333	1,370,741	1,370,741	1,376,587	5,846	0.4%
Funding Types:						
General	-	-	-	-	-	0.0%
Federal	-	-	-	-	-	0.0%
Other	1,616,333	1,370,741	1,370,741	1,376,587	5,846	0.4%
Total	1,616,333	1,370,741	1,370,741	1,376,587	5,846	0.4%
FTE	4.6	3.0	3.0	3.0	0.0	0.0%

REVENUES – None Reported

PERFORMANCE INDICATORS

	FY06			FY07			FY08
	Original Estimate	Actual	Difference Over (Under) Estim.	Original Estimate	Current Estimate	Change in Estimate	Estimate
Equalization	150	229	79	120	160	40	160
DECA	5	7	2	10	8	(2)	8
Driver Improvement	260	183	(77)	165	50	(115)	50
Revenue	50	49	(1)	76	60	(16)	60
Insurance	13	32	19	29	30	1	30
Real Estate	11	6	(5)	20	10	(10)	10
DOH	3	7	4	5	7	2	7
BOP	5	4	(1)	4	4	0	4
DOL	4	2	(2)	1	2	1	2
DOA	4	8	4	2	6	4	6
DOB	6	15	9	20	15	(5)	15
DHS	3	5	2	6	6	0	6
Lottery	1	3	2	3	2	(1)	2
GFP	2	2	0	3	2	(1)	2

PEPL Fund Claims – Informational

The total recommended budget for PEPL Fund Claims consists of \$1,300,000 from other funds and no FTEs.

Item:	Actual FY06	Budgeted FY07	Agency Requested FY08	Governor's Recommended FY08	Inc/Dec FY08	% Change From FY07
Personal Services	5	-	-	-	-	0.0%
Travel	2,377	-	-	-	-	0.0%
Contractual Services	758,791	-	-	-	-	0.0%
Supplies & Materials	-	-	-	-	-	0.0%
Grants and Subsidies	-	-	-	-	-	0.0%
Capital Outlay	-	-	-	-	-	0.0%
Other	407,981	1,300,000	1,300,000	1,300,000	-	0.0%
Total	1,169,154	1,300,000	1,300,000	1,300,000	-	0.0%
Funding Types:						
General	-	-	-	-	-	0.0%
Federal	-	-	-	-	-	0.0%
Other	1,169,154	1,300,000	1,300,000	1,300,000	-	0.0%
Total	1,169,154	1,300,000	1,300,000	1,300,000	-	0.0%
FTE	0.0	0.0	0.0	0.0	0.0	0.0%

REVENUES – None Reported

PERFORMANCE INDICATORS – None Reported

Other Departmental Issues

A. Interim Appropriation Actions

No interim appropriation actions were taken.

B. Audit Findings.

Finding No. 01200200501: The process used in purchasing two boats did not comply with state law. The finding states in part: The Office of Procurement Management approved a purchase order from the Department of Tourism and State Development for the purchase of two Triton boat, motor and trailer packages at a combined price of \$76,814 less \$22,601 in trade-in value received for three boats. The purchase order stated that this was a sole source purchase. The explanation included in the Justification for Sole Source Purchase form stated that there was only one Triton boat dealer in South Dakota. The Department of Legislative Audit found there were other Triton boat dealers in South Dakota at the time of the purchase.

The Department of Legislative Audit recommends that the Office of Procurement Management ensure that purchases comply with the state's laws.