

# MINUTES

## Interim Joint Committee on Appropriations



Senator John Wiik, Lead Co-Chair  
Representative Chris Karr, Co-Chair

**Sixth Meeting, 2019 Interim  
Monday, January 13, 2020**

**Appropriations 362 – State Capitol  
Pierre, South Dakota**

The sixth meeting of the Interim Joint Committee on Appropriations (JCA) for 2019 was called to order by Senator John Wiik, Lead Co-Chair, on Monday, January 13, 2020, at 10:00 a.m. in Appropriations 362 of the State Capitol, Pierre, South Dakota.

A quorum was determined with the following members answering the roll call: Senators Brock Greenfield, Jack Kolbeck, John Lake, Ryan Maher, Reynold Nesiba, Margaret Sutton, Jim White, and John Wiik; Representatives Hugh Bartels, Randy Gross, Taffy Howard, Jean Hunhoff, Lance Koth, Chris Karr, Sue Peterson, Doug Post, and Michael Saba. Excused: Senator Jeffrey Partridge.

Staff members present included Tamara Darnall, Chief Fiscal & Program Analyst; Amanda Doherty-Karber, Senior Fiscal & Program Analyst; Jeff Mehlhaff, Senior Fiscal & Program Analyst; Mitchell Close, Fiscal and Program Analyst; Jennifer Geuther, Fiscal and Program Analyst; Sakura Rohleder, Fiscal and Program Analyst; and Mary Turner, Session 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 office. This meeting was webcast live. The archived webcast is available at the LRC website at <http://sdlegislature.gov>.*

### **Approval of Minutes**

***A motion was made by Representative Bartels, seconded by Senator Nesiba, to approve the minutes of the December 2, 2019, JCA meeting. Motion prevailed on a voice vote.***

***A motion was made by Senator Kolbeck, seconded by Representative Bartels, to approve the minutes of the December 9-11, 2019, JCA meeting. Motion prevailed on a voice vote.***

### **Bureau of Finance and Management**

**Ms. Liza Clark, Commissioner, Bureau of Finance and Management (BFM)**, presented the Governor's recommended budget overview ([Document #1](#)).

**Mr. Mark Quasney, State Economist**, said there has been a decline of (\$5,935,946) in the FY2020 revenue estimates since originally adopted in February 2019. Therefore, one-time funds in FY2020 include the following items: FY2020 ongoing revenue change (\$5,935,946), other funding \$7,707,823, and includes a one-time transfer from the budget reserves \$16,778,512. All total \$18,550,389.

In addition to \$18,550,389 total revenue, in FY2020 there are \$17,183,819 in general bill reductions. There were also general bill increases of (\$4,338,587), FY2020 expenditure transfers (\$10,141,021), FY2020 emergency special appropriations (\$18,654,052), FY2020 continuous appropriation adjustment (\$86,270). The remaining funds are \$2,514,278.

Representative Hunhoff requested additional information about bank and excise taxes. Commissioner Clark said the Department of Revenue is working on the rule changes for the bank and excise taxes. Bank and excise taxes are categorized in the remaining ongoing revenue category in the budget overview presentation. BFM will provide a more detailed list to Representative Hunhoff.

Mr. Mark Quasney, State Economist, said FY2021 will have an estimate increase of ongoing receipts of \$28,100,000. Ongoing receipts would have been \$48,100,000 if the Internet Tax Freedom Act Loss wasn't passed. Due to this legislation there will be a decrease in revenue estimated at (\$20,000,000).

Representative Hunhoff requested additional information detailing how the Department of Correctional Health pharmaceutical savings has been repurposed into equipment purchased. Commissioner Clark said BFM will provide additional detail.

Senator Greenfield inquired why there is such a large discrepancy in the Unified Judicial System budget and what is the cause and requested additional information. Commissioner Clark responded many people in court have had to be in treatment centers for longer lengths of time. Senator Greenfield requested a report on how long people are requiring treatment versus the past. Senator Greenfield also asked how many people have mental health issues such as dual diagnosed, chemical dependency, and how many people are currently in treatment or waiting to get into treatment, and how many days are they in treatment. Representative Hunhoff asked if the provider pays different for the courts than other agencies that provide these same services and how much is the base. She requested additional information be provided.

The FY2020 General Bill Amendment Expenditure Transfers including state radio infrastructure and systems upgrade are \$5,141,021 and rural broadband expansion is \$5,000,000 totaling \$10,141,021 ([Document #2](#)).

Representative Howard questioned what the additional need is for \$5,000,000 for rural broadband expansion and does that include 5<sup>th</sup> generation for mobile telecommunications. Commissioner Clark gave a history of broadband in South Dakota in a handout and said the Governor's Office of Economic Development will provide additional information. The \$5,000,000 funded by the State of South Dakota resulted in 6,800 additional homes and 150 businesses receiving services and generated an additional \$20,000,000 in funding from other sources such as the federal government that was passed onto the local level. Currently, the goal is to provide high speed internet services throughout the state. Commissioner Clark will provide additional information if these are 5<sup>th</sup> generation services.

Senator Kolbeck asked for the definition of broadband and underserved. Senator Wiik commented he has investigated the definition of broadband and determined it is too general. Representative Howard requested additional information regarding what other rural states are doing to address broadband funding.

### ***FY2020 Emergency Special Appropriations***

Commissioner Clark said there are \$18,654,052 in emergency special appropriations requested by the Governor as follows: Emergency and Disaster Fund \$9,918,359, USD Health Sciences Building \$5,000,000, Rural Healthcare Recruitment Assistance Programs \$869,193, Extraordinary Litigation Fund \$800,000, Orphaned Natural Gas \$727,700, Tax Refunds for Elderly and Disabled \$450,000, DSU Cyber Cync Incubator and Entrepreneurial Center \$396,073, Fire Suppression Fund \$367,727, and Department of Military Cold Storage Building in Aberdeen \$125,000. These bills are posted on the LRC website.

South Dakota experienced flooding in 2019 and damage estimates total approximately \$9,900,000. Senator White asked how a municipality could apply for funding. Commissioner Clark said for an entity to use the emergency and disaster fund, an annual financial statement must be provided, and it must show how the loan will be repaid.

Senator Greenfield said the townships presented testimony in December that they are having difficulties qualifying for FEMA funding and asked what the state is doing to help. Commissioner Clark said if FEMA funding isn't available and townships qualify, there is a loan program from the Department of Transportation. Senator Greenfield asked about the one emergency and disaster funding declaration from the year 2019 that was denied by FEMA and if there is an appeal process. Commissioner Clark said one declaration was denied because it was partially covered in other declarations. Senator Greenfield requested updates from the Department of Public Safety and the Department of Transportation.

Senator Greenfield would like the history of the rural healthcare recruitment assistance programs. Commissioner Clark said the \$869,193 is an appropriation that was obligated by the legislature 3 years ago.

Senator Nesiba requested a list of the extraordinary litigation fund that was paid out.

Commissioner Clark said the cost of the orphaned natural gas well is approximately \$887,000 and a \$30,000 and \$130,000 bond is going to be used to clean up the well from SpyGlass and Quartz companies. The remaining \$727,700 will be an emergency special appropriation. Senator Maher said another gas company is in financial trouble. **Mr. Derek Johnson, BFM**, said HB 1025 requires stricter bonding requirements in the future.

Senator Nesiba requested a one-page summary how the Bureau of Finance and Management determined an estimated \$20,000,000 revenue loss from the repeal of the Internet Tax Freedom Act.

#### ***FY2021 Ongoing General Fund Recommendations***

General increases and decreases in the FY2021 are State Aid to Education \$8,867,096, Consumer Expansion \$8,045,432, State Employee Health Insurance \$4,134,191, Mandatory Provider Inflation \$3,769,933, Confronting Methamphetamine Epidemic \$3,712,208, Food Service and Utilities \$1,659,834, Family First \$1,119,505, Assisted Living Rate Tiers \$1,087,634, Maintenance and Repair \$325,362, Federal Medical Assistance Percentage (FMAP) (\$2,455,809), Budget Reductions (\$8,878,308), and other Various Increases and Decreases \$1,263,173 totaling \$22,650,251.

Senator Maher questioned what facility is administrating the Drug Court program in Rapid City and requested additional information.

Representative Hunhoff asked what was done last year by the state to address methamphetamine prevention. Commissioner Clark responded and said a spreadsheet will be listed on the BFM website.

Senator Nesiba questioned what has been done for opioid prevention. Commissioner Clark responded that South Dakota is trying to use opioid funding to also fight methamphetamine addiction since methamphetamine is a more prevalent problem in the state.

Representative Howard asked why the Children's Health Insurance Program funding has increased, and could the plan changes implemented to receive enhanced rate be reversed.

### **Adjourn**

***A motion was made by Senator Greenfield, seconded by Senator Lake, that the Joint Committee on Appropriations be adjourned. Motion prevailed on a voice vote.***

The Committee adjourned on Monday, January 13, 2020, at 11:40 a.m.