

MINUTES

Interim Joint Committee on Appropriations



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

**Third Meeting, 2020 Interim
Wednesday, July 22, 2020**

**Room 414 – State Capitol
Pierre, South Dakota**

The third meeting of the Interim Joint Committee on Appropriations for 2020 was called to order by Lead Co-Chair Representative Chris Karr, at 10:00 a.m. in Room 414 of the State Capitol, Pierre, South Dakota. In accordance with COVID-19 guidance regarding limiting group gatherings, several members attended the meeting remotely.

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

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

Approval of Minutes

Representative Bartels moved, seconded by Senator Wiik, to approve the minutes of the June 24, 2020, Joint Committee on Appropriations meeting. Motion prevailed on a voice vote.

State Employee Health Insurance Update

Mr. Darin Seeley, Commissioner, Bureau of Human Resources, presented an update on the South Dakota State Employee Health Plan (SDSEHP) ([Document #1](#)). Mr. Seeley said the FY20 expenses for the SDSEHP were 5.7% lower than expected due to the impact of COVID-19. The chart on page 3 of the document shows how the actual claims for FY20 took a downward trend starting in March of 2020. Although the actual claims total is \$5 million more in FY20 over FY19 actual claims, the FY20 actual claims are \$9 million less than the claims estimate for FY20.

The graphs on pages 4-5 illustrate the impact high cost claims have on the plan. The 43 high cost claimants drive \$17.8 million in spending change. The costs of just 6 perinatal conditions cost the fund almost \$10 million.

Representative Hunhoff asked if the department is doing things differently regarding high risk pregnancies. Mr. Seeley said the agency is doing a complete review of the benefits program right now including the well-baby portion of the program. Any changes to the program because of these reviews will impact more of what happens with the SDSEHP in 2022 than in 2021.

Coronavirus Update

Ms. Liza Clark, Commissioner, Bureau of Finance and Management (BFM), presented an update on the impact the coronavirus is having on the state budget and the available financial assistance from the federal government. Additional information regarding the COVID-19 information is available on the [OpenSD.gov](https://open.sd.gov) website and the BFM website at bfm.sd.gov which are frequently updated.

The state has spent \$74,790,653 thus far from the Coronavirus Relief Fund (CRF) proceeds. Commissioner Clark explained the expenditures by state agencies. A full list of what was purchased with the funds is available on the OpenSD.gov website. Most of the COVID spending will fall under the 2021 fiscal year.

The \$200 million relief funds for cities and counties will start being distributed once contracts are signed. There have been 133 applications submitted, 50 of those applications have been approved, and 34 contracts have been signed. BFM has provided a uniform spreadsheet for the cities and counties to use in tracking their COVID expenses. It is the goal of BFM to make the reporting as easy as possible.

Commissioner Clark said BFM is researching the needs of state government if COVID-19 continues or worsens over the next few months. The need for a special legislative session to address any required spending authority depends on timing. The Governor will be talking to legislators next week about the possibility of a special session.

Representative Hunhoff asked what needs to be done if the pandemic does worsen. Commissioner Clark said there are a variety of issues to be addressed. There may again be a need for state employees to work from home and the employees need to have everything required to make working from home successful. The goal is to have normal government operations even if state employees need to work remotely.

Commissioner Clark said \$6.8 million from CRF funds are being spent in addition to the \$5 million appropriated through general funds on broadband grants. There were South Dakotans unable to do what was needed during the COVID-19 outbreak because of the lack of broadband access. The Governor's Office of Economic Development (GOED) advertised the broadband grants. Companies receiving the grants will be under contract with the state and the project will need to be completed before payment is made. There is a list of companies receiving these contracts on OpenSD.com. The part of the projects receiving payment from the CRF funds will need to be completed by December 30. The portion of the projects receiving payment from the ConnectSD funding does not have a December 30 deadline.

Senator Lake asked about the CARES Act funding allocated for K-12 education. Commissioner Clark said South Dakota was awarded \$41 million to be distributed to local schools with 90% of those funds distributed based on the Title I formula. A half percent of the funding is for administration of the funds and the remaining 9.5% is to go to schools that do not receive much Title I funding. These funds will be a part of this fiscal year reporting as none of the funds have yet been spent.

Governor Noem's Small Business Relief Fund Update

Ms. Cassie Stoeser, Director of Finance, Governor's Office of Economic Development (GOED), reported on Governor Noem's Small Business Relief Fund ([Document #2](#)). The Small Business Relief Fund was established through SB192. The fund assists businesses with less than 250 employees, have a physical presence in South Dakota, and were established prior to March 2020. The application must include a written acknowledgement from a financial resource supporting the applicant's claim that the business has suffered a material negative impact from the COVID-19 pandemic. The minimum loan amount is \$5,000 and the maximum is \$75,000.

GOED received 400 applications for these funds in April and approved 200 of those requests totaling \$10.5 million. Document #2 includes a list of the businesses receiving the loans thus far and the amount allocated. These are no-interest loans and no payments are required for the first 6 months. Proceeds from the loans must be held in separate bank accounts at South Dakota banks and any funds remaining after a 3 month period must be paid back to GOED.

FY2020 Year-End Report

Mr. Mark Quasney, State Economist, BFM, and Mr. Derek Johnson, Chief Budget Analyst, BFM, presented the FY2020 year-end summary ([Document #3](#)). Revenues for FY2020 were \$7.9 million less than the adopted revenues. The adopted revenues for FY2020 were \$1,749,250,845 and the actual revenues for FY2020 are \$1,741,345,230. Total reversions from the Executive, Legislative, and the Judicial branches of state government were \$27.1 million. The amount of the operating transfer to the budget reserve fund is \$19.1 million.

Certify the Proration of FY2020 Interest Earnings as per SDCL 4-5-30

Ms. Darcy McGuigan, BFM, reported on the proration designations of companies as either participating or nonparticipating in the proration of investment income earned in FY2020 ([Document #4](#)). BFM is required by statute to have the proration of interest earnings certified by the JCA on an annual basis.

Senator Wiik moved, seconded by Senator Maher, to approve and certify the recommended interest proration designations as participating and nonparticipating as presented by the Bureau of Finance and Management. Motion prevailed on a roll call vote with 17 AYES; 1 EXCUSED. Voting AYE: Bartels, Gross, Howard, Koth, Peterson, Post, Greenfield, Kolbeck, Lake, Nesiba, Partridge, Sutton, White, Maher, Hunhoff, Wiik, and Karr. EXCUSED: Saba.

Update on FY2021 Revenue Projection as per SDCL 4-8A-16

Mr. Mark Quasney, State Economist, BFM, presented BFM's FY2021 Interim Revenue Projections ([Document #5](#)). The BFM FY2021 interim revenue estimate is \$1,702,966,646 which is \$36.6 million less than the FY2021 revenue estimate adopted in February. This is a 2.27% decrease in the revenue estimate of \$1,742,576,075.

Mr. Jeff Mehlhaff, Senior Fiscal and Program Analyst, LRC, presented LRC's FY2021 Interim Revenue Projections ([Document #6](#)). The LRC interim revenue estimate is \$1,726,588,313 which is \$15.9 million less than the FY2021 revenue estimate of \$1,742,576,075 adopted in February. This is a .92% decrease in the revenue estimate.

Letters of Intent (LOI)

A Letter of Intent (LOI) sets forth a particular view held by the Joint Committee on Appropriations (JCA) in approving agency appropriations set during the 2020 legislative session. As such, the LOI seeks to supplement legislation with specific policy guidance. While the guideline does not have the direct force of statutory law, it rests solidly on a long-standing tradition in South Dakota and will be used by the JCA as one basis for the fiscal oversight of the agencies and their continued funding.

1. Representative Howard presented the draft LOI regarding the one-time funding to the Department of Human Services to be used to recognize the important work provided by the Community Support Providers (CSP) in caring for the state's most vulnerable citizens ([Document #7](#)). The letter of intent explains how the amount distributed is to be calculated. The agencies are required to report back to JCA regarding how the dollars are spent and how the agencies plan to increase employee retention.

Mr. Dan Cross, Executive Director, Community Support Providers of South Dakota, said the organization supports the LOI as presented. The agencies are eager to get the funds into the hands of the deserving workers as quickly as possible.

Representative Howard moved, seconded by Senator Maher, to approve the LOI regarding the one-time direct care workforce funding for Community Support Providers. Motion prevailed on a roll call vote with 17 voting AYE; 1 EXCUSED. Voting AYE: Bartels, Gross, Howard, Koth, Peterson, Post, Greenfield, Kolbeck, Lake, Nesiba, Partridge, Sutton, White, Maher, Hunhoff, Wiik, and Karr. EXCUSED: Saba.

Adjourn

Representative Bartels moved, seconded by Representative Howard, that the Joint Committee on Appropriations be adjourned. Motion prevailed on a voice vote.

The Committee adjourned at 2:15 p.m.