

SOUTH DAKOTA LEGISLATIVE RESEARCH COUNCIL

FISCAL NOTE, 2010 LEGISLATIVE SESSION

FISCAL NOTE 2010-SB140A

SB 140 reorganize the Department of Tourism and State Development.

Absent further action to appropriate additional funds to support this reorganization, there would be no fiscal impact if this measure becomes law. The Governor and BFM have sufficient authority under existing statutes to reallocate the present appropriation to the purpose of the bill by executive order and transfer of funds. At this stage in the process it is impossible to estimate what, if any, positive economic benefit and/or tax revenue to this state would result from this measure.

SB140 abolishes the Department of Tourism and State Development, along with the position of the secretary of Tourism and State Development. Two new departments are created by SB140 those being the Department of Tourism and the Department of Economic Development. The bill also establishes the head of both the new departments which are the secretary of tourism and the secretary of economic development.

SB140 shifts current programs budgeted and reported within the Department of Tourism and State Development to the new Department of Tourism and the new Department of Economic Development as well as the Office of the Governor and the Department of Education.

The following chart displays the before and after effects of the reorganization regarding SB140.

Current Department	Effect of SB140			
Department of Tourism and State Development	NEW - Department of Tourism	NEW - Department of Economic Development	Office of the Governor	Department of Education
-GOED		-GOED		
-Division of Tourism	-Division of Tourism			
-Division of Research Commerce		-Division of Research Commerce		
-Tribal Government Relations			-Tribal Government Relations	
-Division of Cultural Affairs				-Division of Cultural Affairs
-Office of the Arts	-Office of the Arts			
-Office of History				-Office of History
-Cultural Heritage Center				-Cultural Heritage Center
-Historical Preservation Ctr.				-Historical Preservation Ctr.
-Archaeological Research Ctr.				-Archaeological Research Ctr.
SD Housing Develop. Auth. - Informational		SD Housing Develop. Auth. - Informational		
SD Science and Tech. Auth. - Informational		SD Science and Tech. Auth. - Informational		
SD Energy Infrastructure Auth. - Informational		SD Energy Infrastructure Auth. - Informational		
SD Elsworth Develop. Auth. - Informational		SD Elsworth Develop. Auth. - Informational		

Assumptions:

The Department of Tourism and State Development feels it would be necessary to provide additional funds to meet the objectives of the sponsor of this measure. They have provided

information regarding the effect of SB140 in two different implementation alternatives if enacted by the Legislature and subsequently implemented by the Executive Branch. Their view of the intent of the SB140 is to create a separate Department of Tourism and a separate Department of Economic Development in order to provide more emphasis and effort toward tourism activity and economic development activity in South Dakota than is currently provided by the Department of Tourism and State Development. The two versions provided by the department based on their assumptions along with their view of the intent of SB140 are provided below and intended to provide a spectrum of costs:

Version #1 - This impact is based on the premise that shared creative and administrative staff will continue to be shared between the new Department of Tourism and the new Department of Economic Development as they currently are now and were before the Governor's reorganization in 2003.

- Since economic development is becoming increasingly important and should be more laser focused, it will be necessary to add at least one additional business representative position. It will also be necessary to add a half time position for marketing and another half time position for creative staff to step up the activities and the focus of the Department of Economic Development. The estimated increase in personal services expenditures would be \$134,755 and an additional 2.0 FTEs.
- Increased costs in travel for the business representative would be required as well as additional costs for telephone, computer user fees, liability insurance, computer hardware, and printing supplies for all the new FTEs and activities. The estimated increase in operating expenditures would be \$25,283.
- Elevating the division director positions within the Division of Tourism and Tribal Government Relations to cabinet level positions would have an impact on additional personnel services expenditures commensurate to cabinet level positions. This would be required to provide for a secretary of tourism, which is currently budgeted for as the director of tourism, and the increased emphasis on the Office Tribal Government Relations. The estimated increase in personal services expenditures would be \$74,500.

Version #2 - This impact is based on the premise that the new Department of Tourism and the new Department of Economic Development will have equal staffing and there would not be any shared staff. They would be stand alone departments in this version.

- To provide equal staffing and meet the increased demands for the separate Departments of Tourism and Economic Development it would require the hiring of additional creative staff, additional business representative, additional administrative staff, a communications director, and additional interns. The estimated increase in personal services expenditures would be \$455,506 and an additional 9.25 FTEs.
- Increased costs related to the additional FTEs would be incurred for travel,

office space, additional equipment, BIT user fees, telephone line fees, liability insurance, other contractual services, and supplies & materials. The estimated increase in operating expenditures would be \$142,428.

- Elevating the division director positions within the Division of Tourism and Tribal Government Relations to cabinet level positions would have an impact on additional personnel services expenditures commensurate to cabinet level positions. This would be required to provide for a secretary of tourism, which is currently budgeted for as the director of tourism, and the increased emphasis on the Office of Tribal Government Relations. The estimated increase in personal services expenditures would be \$74,500.

FY 2011 Fiscal Impact:

The total FY2011 fiscal impact of SB140 based on version #1 above would be an estimated increase of \$203,365 in General fund expenditures, \$31,173 in other fund expenditures, and an increase of 2.0 FTEs.

The total FY2011 fiscal impact of SB140 based on version #2 above would be an estimated increase of \$342,294 in General fund expenditures, \$330,140 in other fund expenditures, and an increase of 9.25 FTEs.

However, in both cases the fiscal impact would be what, if any, additional funds are appropriated and signed into law after review of these and possibly other versions.

It should also be noted that additional costs to the Department of Education as the result of transferring the Office of History to this department has not been included in this fiscal note however, we believe those costs to be minimal.

LRC Review:

LRC believes the estimated impact of SB140 as provided by the Department of Tourism and State Development regarding both versions of implementation is reasonable based on the department's assumptions as stated above. However, LRC has no basis to speculate as to what additional amounts may be appropriated toward this end.

This fiscal note was prepared in consultation with the Bureau of Finance and Management, pursuant to Chapter 6C of the Joint Rules of the Legislature.

APPROVED BY: Signed by Mr. James Fry DATE: 2/22/2010