

# South Dakota Office of School and Public Lands



January 13<sup>th</sup> , 2017

Appropriations Committee Presentation

School & Public Lands Budget

# School and Public Lands Office History

When South Dakota became a state in 1889, the Federal Government granted the state over 3.5 million acres of land. Township sections 16 and 36 were reserved for school and public purposes; these are known as Common School Lands. If the sections were already settled, the government provided replacement property known as indemnity lands.

Additional property was also provided to be used however the state wished. The South Dakota Constitution divided these lands among the state's universities, the School for the Visually Impaired, the School for the Deaf, State Training School, and the Developmental Center in Redfield. To manage these lands and the money generated, the constitution established the Office of School and Public Lands.

According to the Constitution, common school and indemnity lands were either to be sold or leased and the proceeds deposited in a permanent trust fund for education. The principal could be increased, but never diminished. Interest from the fund was to be used for funding education.

Each year the office returns approximately \$12 million to school districts and endowed institutions. The money is generated from grazing, mineral, oil and gas leases, interest from the Permanent Fund, and interest earned on land and sales contracts.

# Surface Division

- Leases are for 5 years with a 5 year option
- Lessee pays property taxes
- Over 2,800 leases on 760,028.851 acres
- State manages weed and pest control on land through the weed and pest fund
- Executes easements and land sales for other agencies in state government

## Surface Revenue by Land Class

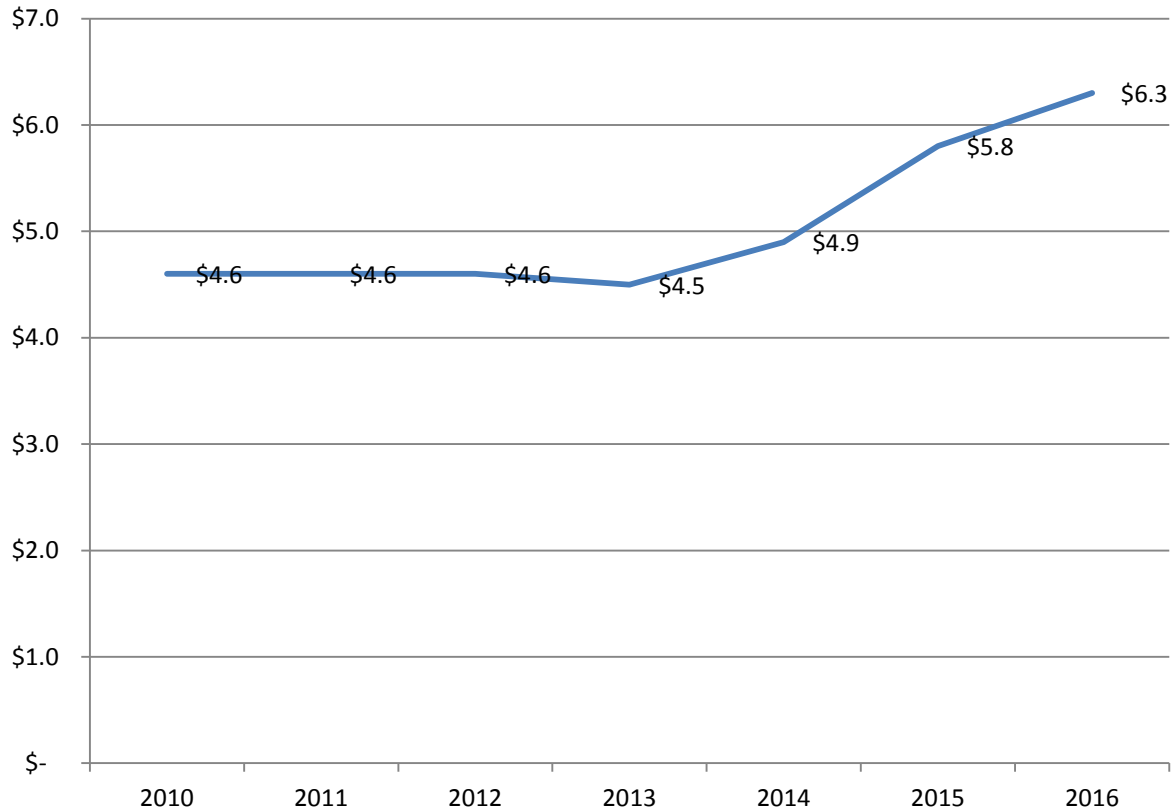
COMMON SCHOOL	\$4,936,656.19
SOUTH DAKOTA STATE UNIVERSITY	\$458,489.46
UNIVERSITY OF SOUTH DAKOTA	\$106,171.79
PUBLIC BUILDINGS	\$57,124.52
SDSU EXPERIMENTAL STATION	\$22,145.49
DOC JUVENILE PROGRAMS	\$23,952.25
SCHOOL FOR THE DEAF	\$33,270.17
SCHOOL FOR THE VISUALLY IMPAIRED	\$129,076.93
REDFIELD HOSPITAL AND SCHOOL	\$91,523.72
SCHOOL OF MINES	\$76,037.84
DAKOTA STATE UNIVERSITY	\$104,234.66
BLACK HILLS STATE UNIVERSITY	\$104,234.66
SPRINGFIELD	\$76,034.84
NORTHERN STATE UNIVERSITY	\$81,549.59
REDFIELD SD DEVELOPMENT CENTER	\$800.00
CORRECTIONS/PLANKINTON	\$6,940.00

**TOTAL**

**\$6,308,235.63**

# Surface Division Highlights

- Record year for surface revenue at \$6.3 M up from \$5.8 M
- Surface revenue up 40% since 2010
- Chart shows surface revenue in millions



## Surface Division Continued

More than 32,827 acres of grazing and agricultural property located in 24 counties were leased at public auction

2017 auctions will be in March

2017 new AUM base rate still being calculated. AUM rate sets the minimum price prior to the public auction

### AUM History

2016- \$19.22

2015- \$17.21

2014- \$14.68

2013- \$13.72

2012- \$12.94

2011- \$11.07

2010-\$10.82

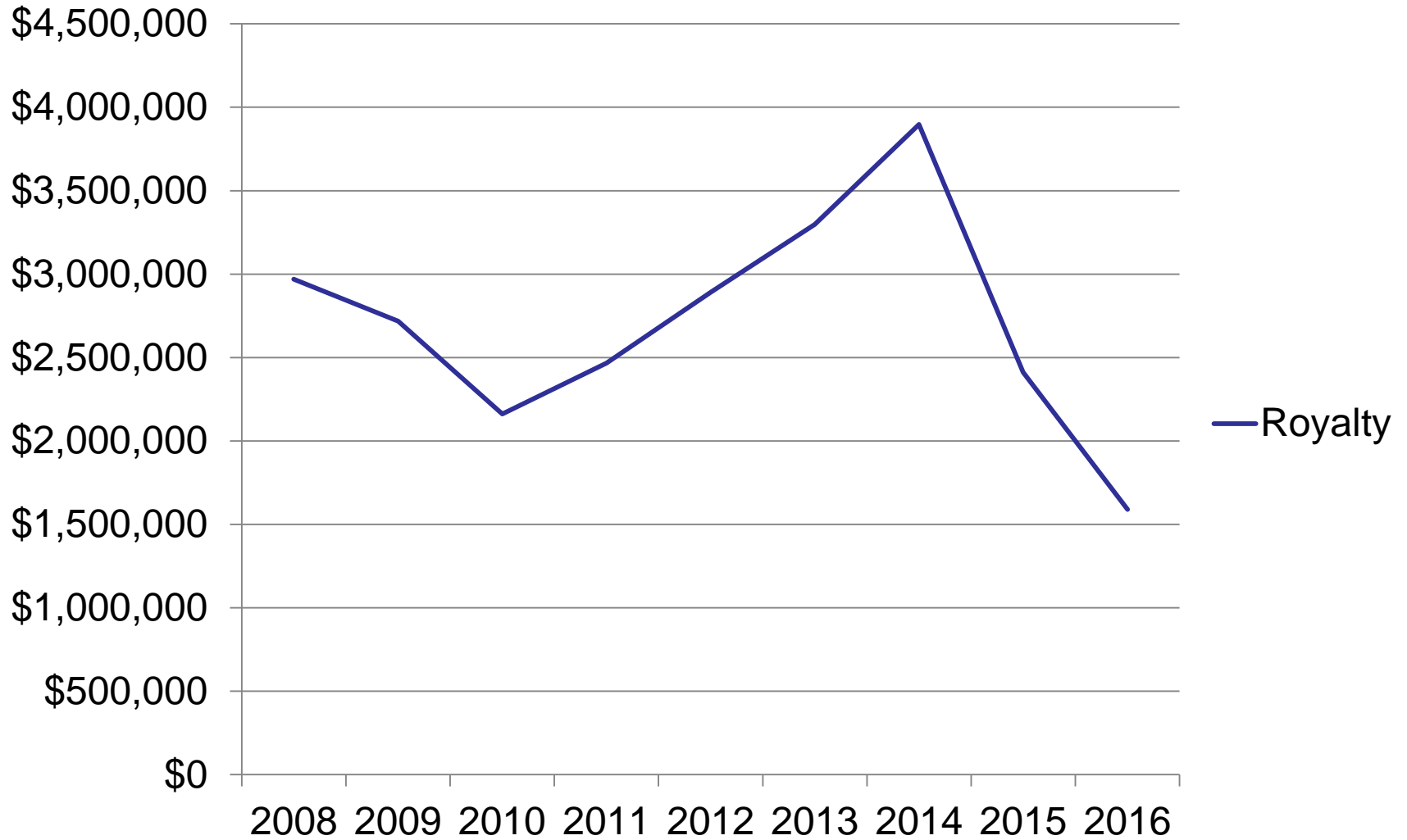
# Mineral Division

- State owns 5.2 million acres of mineral rights
- 50% of revenue paid out annually and 50% to the SPL Trust Fund

Mineral, Oil & Gas Lease Rentals	\$ 204,302.00
Oil & Gas Royalty (12.5%)	\$1,374,467.23
Mineral, Oil & Gas Bonus	\$ 1,280.00
Oil & Gas Miscellaneous	\$ 380.00
Interest	\$ 8,563.34
<b>TOTAL</b>	<b>\$1,588,992.57</b>

Money split \$794,000 paid out and \$794,000 to trust fund

# Oil and Gas Royalty



# Permanent Trust Fund

At statehood, the Permanent Trust Fund was established with the intent of providing a continuous source of revenue for public schools, universities and endowed institutions. Proceeds from the sale of land are to be deposited in the fund, which can be added to but never diminished. The interest and dividends generated by the fund are apportioned to school districts, universities, and endowed institutions.

Constitutional amendment in 2000 allowed for two things

1. Adjust for inflation

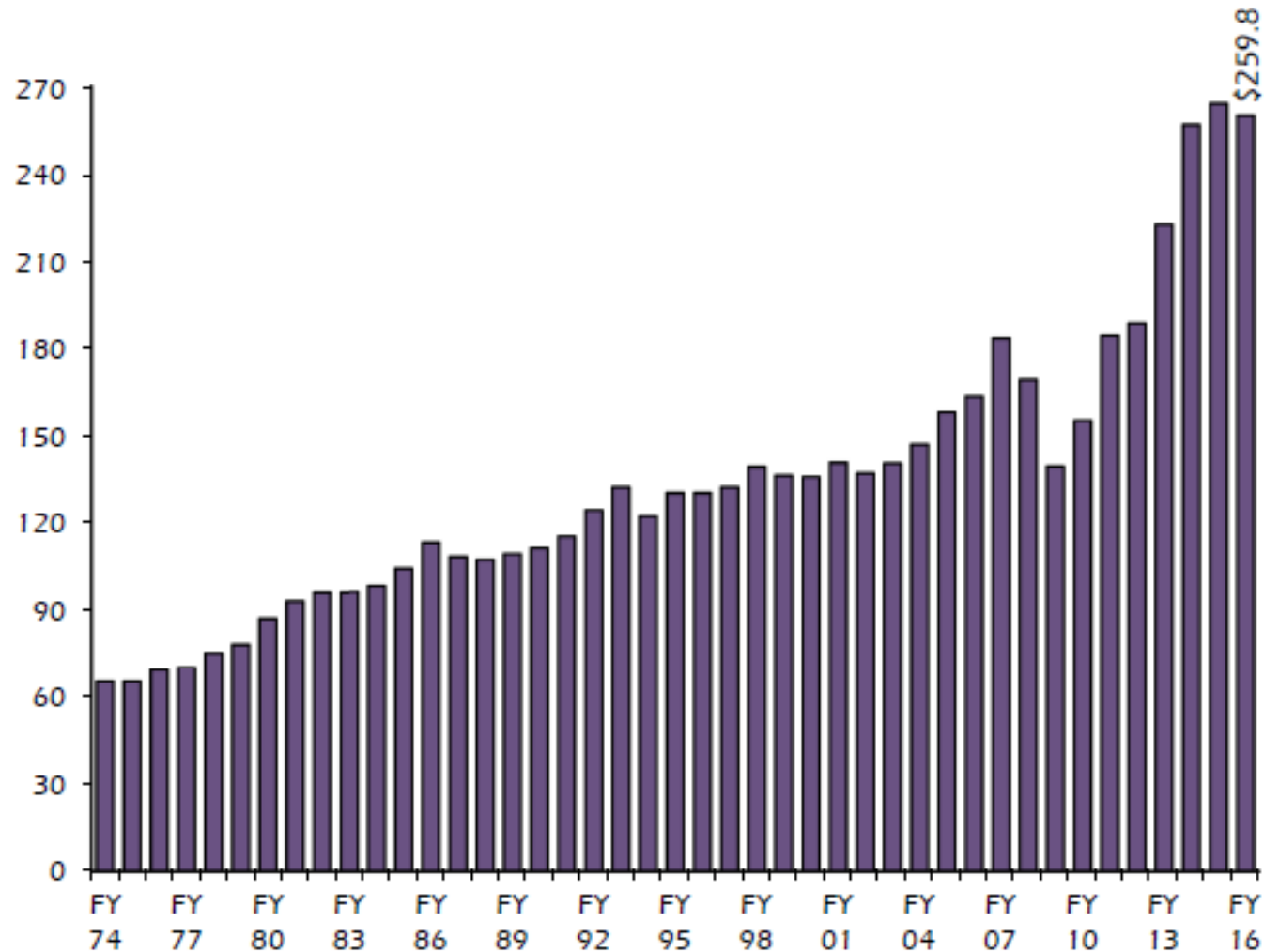
- Previously required to pay out all income
- Land that sold for \$20 an acre in 1900 was never adjusted until 2001 going forward

2. Invest in Stocks through the SD Investment Council

- Previously limited to savings bonds or direct loans
- Much higher growth potential of the fund



## Asset Growth<sup>23</sup> (\$ in millions)



- The permanent fund is starting to benefit from the year 2000 Constitutional amendment allowing for inflationary adjustment and investing in stocks. The future payouts will increase significantly.

# Dollars to Education

- K-12 money is earned in previous fiscal year. FY17 payout is revenue generated in FY16.

- K-12 Schools in FY13-        \$7,422,431.60

- K-12 Schools in FY14-        \$8,773,821.56

- K-12 Schools in FY15-        \$9,969,231.31

- K-12 Schools in FY16-        \$10,227,405.20

- K-12 Schools in FY17-        \$10,196,470.83

- FY17 payout will occur the first week of February

# Dollars Returned to Universities

South Dakota State University	\$ 636,708.71
Dakota State University	\$ 202,607.06
University of South Dakota	\$ 236,041.00
SD School of Mines & Technology	\$ 133,022.00
Black Hills State University	\$ 202,607.06
Northern State University	<u>\$ 183,393.00</u>
<b>TOTAL</b>	<b>\$1,594,378.83</b>

# Dollars Returned to Endowed Institutions

Juvenile Corrections	\$ 82,422.95
SD & SVH Administrative Fund	\$ 45,685.84
Redfield Development Center	\$141,751.70
School for the Deaf	\$ 97,959.00
SDSU Experimental Station	\$ 69,268.39
SDSU Experimental Station In Kind use of land	\$100,000.00
School for the Visually Impaired	\$153,712.70
Human Services	\$ 80,479.96
<b>TOTAL</b>	<b>\$671,280.54</b>

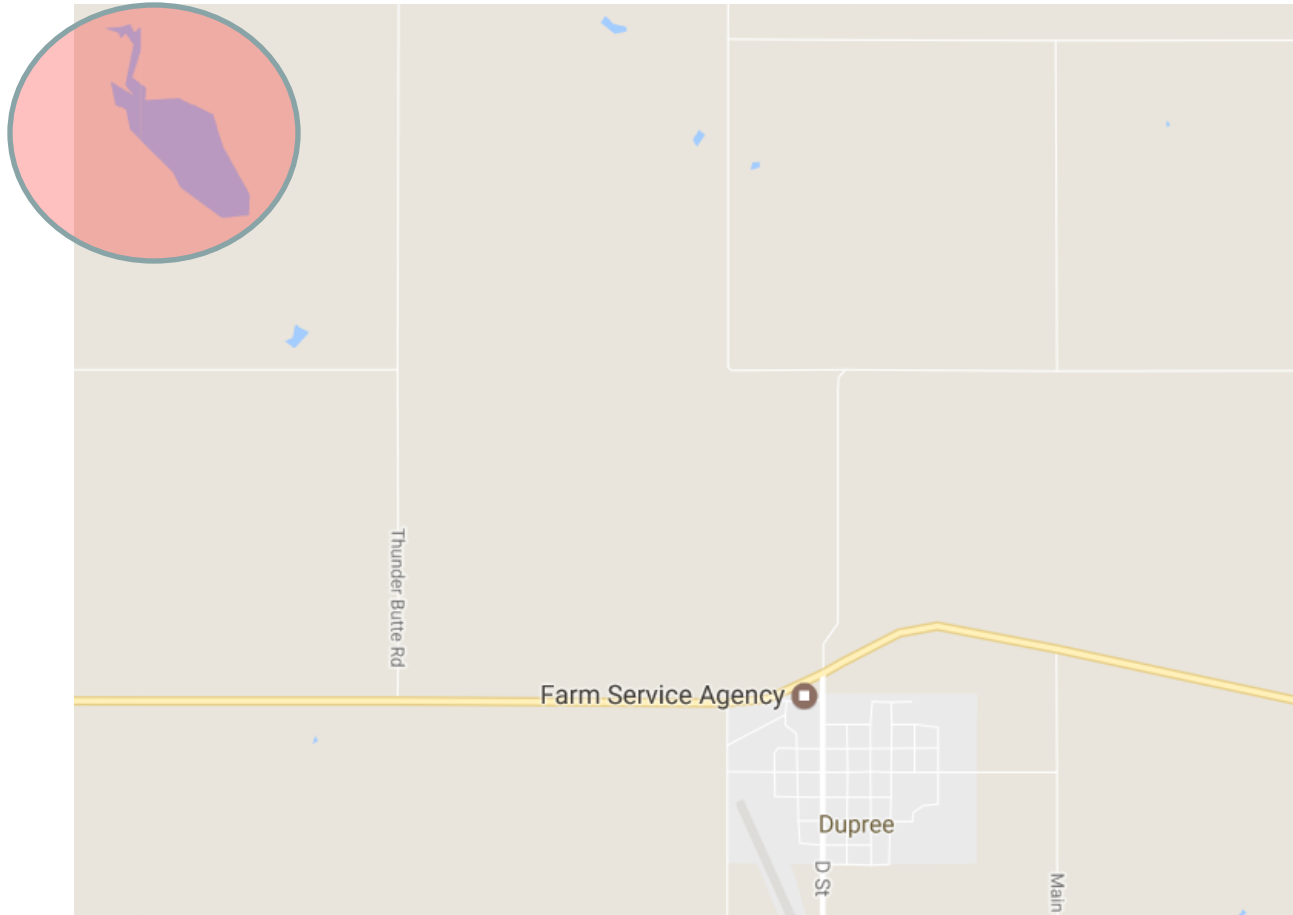
# FY17-18 School and Public Lands Revenue Outlook

- Surface Leasing- Consistent, dependable income that will see some decreases because of demand for land and the price of cattle
  - Oil and Gas- Steep fall in FY15-16 royalties due to fall in price of oil. Some rebound occurring for FY17
  - Permanent Fund- Capital gains have the fund in a good position but only interest and dividends are paid out
  - Board of Regents- \$1,594,378.83
  - Endowed Institutions- \$671,280.54
- |                         |      |                 |
|-------------------------|------|-----------------|
| Total K-12 and Endowed: | FY15 | \$12,067,212.81 |
| Total K-12 and Endowed: | FY16 | \$12,462,130.20 |

# FY16 Completed Work on Dams

- 99 State owned dams under SPL built in the 1930's and 1940's
- FY17-18 special appropriation year-to-date repairs
  - Bednar Dam- \$27,942
  - Campbell Dam- \$9,248
- There will be continued maintenance and repair in the remainder of FY17 and FY18 using existing appropriation with a full report next session

# Bednar Dam



High Hazard Dam near Dupree  
Part of the bank collapsed into the water requiring a priority  
repair

# Bednar Dam Continued



The hole was filled with dirt and rock or rip rap was placed along the face of the dam to prevent future erosion





# Campbell Dam



Picture from last years appropriation hearing



Repair completed with rebar and concrete to prevent wing wall collapse

# Campbell Dam Continued



- Approach wall into spillway that goes back to the access road was also cracked and tipping
- Several anchors were placed in the wall similar to a basement wall to stabilize it

# FY18 Budget

- No change in base budget from FY17 or FY16
- Two retirements in FY16 allowed for some office reorganization
- Oil and Gas position currently vacant due to retirement. FY17 savings available of \$16,000 (\$13,000 in salary and \$3,000 in health insurance savings)
- Plan to hire a Geographic Information Systems (GIS) coordinator in May or June to enhance and build GIS maps for both surface and mineral lands
- Position would also handle oil and gas leasing activity when needed



# FY17 and 18 Planned Land Sales/Exchanges

- FY 17 completed two additional sales in Yankton County for the benefit of HSC.
  - \$577,000 on 48.12 acres sold and public auction
  - \$191,000 for 5.86 acres to Lewis and Clark Behavioral Health
- 20.0 acres sold at Blunt for \$42,000
- 2,197 square feet for \$5,492.50 to city of Brookings from SDSU for street expansion
- 4.89 acres at Redfield for \$19,365
- 25.0 acres at Hoven for city dump for \$27,500
  
- FY17 land sales still pending
  - Sully County land when requested by the Historical Society
  - SDSU land in Brookings County
  - Land at Redfield pending additional legislation
  - 45.30 acres at Custer with appraisal currently under contract
  - 8.81 acres in Spink County of abandoned railroad right-of-way

- FY18 land sales pending legislative approval
  - Redfield with two of three buildings included as an alternative to demolition requested by HB1015 of 2016 legislative session
    - Demolition and asbestos abatement costs of \$1.0 million are greater than the value of the land.
    - Buildings no longer needed by the state but might be refurbished by city of Redfield
  - Plankinton facility and land
  - Surplus Hot Springs land near new veterans home
  - Rushmore building used by WDTI given back to the state
  - Custer Star Academy property depending on RFP for leasing
  - Land sold to GF&P for Spearfish Canyon trade

# F16-17 School and Public Lands Recap

- Revenue projections
- No budget changes
- Dams
- Land sales and exchanges

# Questions