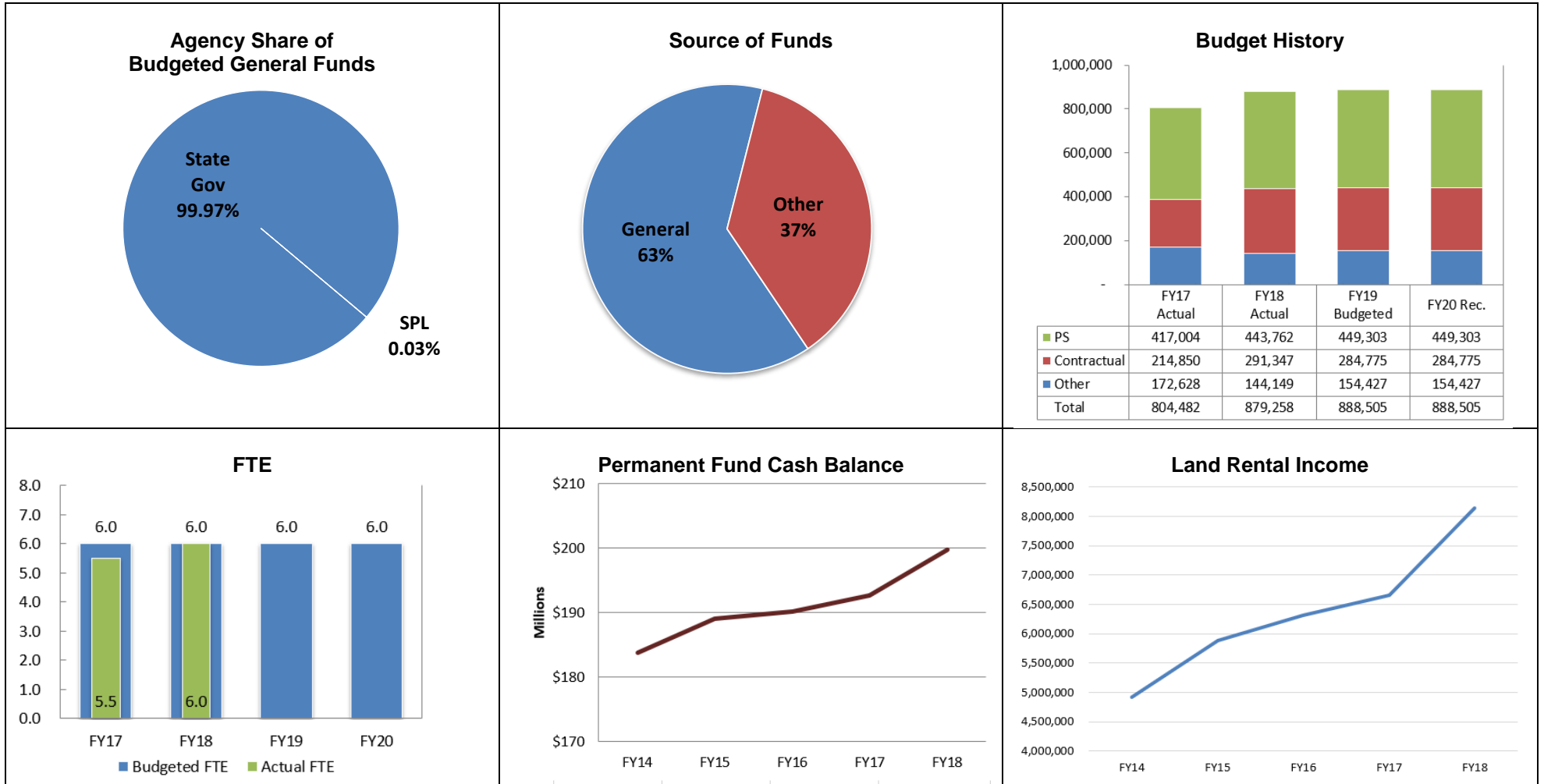


# FY20 Budget Briefing

## School and Public Lands

Information contained in this document is based on the Governor's original recommended FY20 budget. This document may not correspond with the final FY20 budget adopted by the Legislature.



## Key Personnel

- Ryan Brunner, Commissioner
- Mike Lauritsen, Deputy Commissioner

## Mission of the School and Public Lands

To ensure efficient management of school and endowment lands and trust funds owned and administered by the state of South Dakota for the support and maintenance of the public schools and the various state institutions for which the lands had been granted; to lease the optimum acreage of land and maintain all leases on file; to maintain all land sale contracts; to maintain the mineral ownership records and provide for the leasing of mineral acres; to invest the money received from land sales and the leasing of surface and mineral lands at the highest possible rate of return; and to apportion the money to the various school districts and endowed institutions in South Dakota.

The budget for the Office of School and Public Lands is funded by general funds and other fund revenue generated from the pesticide registration fees deposited in the Public Lands Weed and Pest Fund.

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

## BUDGET REQUEST: ADMINISTRATION OF SCHOOL AND PUBLIC LANDS (3001)

	FY 2017 Actual	FY 2018 Actual	FY 2019 Budget	FY 2020 Agency Request	FY 2020 Governors Recommended	Change From FY 2019
<b>BY PROGRAM</b>						
Administration	804,482	879,258	888,505	888,505	888,505	0
<b>Total</b>	<b>804,482</b>	<b>879,258</b>	<b>888,505</b>	<b>888,505</b>	<b>888,505</b>	<b>0</b>
<b>BY FUND CATEGORY</b>						
General	531,999	558,260	563,210	563,210	563,210	0
Federal	0	0	0	0	0	0
Other	272,483	320,998	325,295	325,295	325,295	0
<b>Total</b>	<b>804,482</b>	<b>879,258</b>	<b>888,505</b>	<b>888,505</b>	<b>888,505</b>	<b>0</b>
<b>BY OBJECT EXPENDITURE</b>						
<b>Personnel Costs</b>	<b>417,004</b>	<b>443,762</b>	<b>449,303</b>	<b>449,303</b>	<b>449,303</b>	<b>0</b>
Salaries	326,509	341,847	348,871	348,871	348,871	0
Benefits	90,495	101,915	100,432	100,432	100,432	0
<b>Operating Expenditures</b>	<b>387,478</b>	<b>435,496</b>	<b>439,202</b>	<b>439,202</b>	<b>439,202</b>	<b>0</b>
Travel	38,728	30,291	34,700	34,700	34,700	0
Contractual Services	214,850	291,347	284,775	284,775	284,775	0
Supplies and Materials	133,428	113,858	117,727	117,727	117,727	0
Grants and Subsidies	0	0	0	0	0	0
Capital Outlay	472	0	2,000	2,000	2,000	0

	FY 2017 Actual	FY 2018 Actual	FY 2019 Budget	FY 2020 Agency Request	FY 2020 Governors Recommended	Change From FY 2019
Other	0	0	0	0	0	0
<b>Total</b>	<b>804,482</b>	<b>879,258</b>	<b>888,505</b>	<b>888,505</b>	<b>888,505</b>	<b>0</b>
<b>Full-Time Equivalent (FTE)</b>	<b>5.5</b>	<b>6.0</b>	<b>6.0</b>	<b>6.0</b>	<b>6.0</b>	<b>0.0</b>
<b>FUNDING SOURCES (Governor's Recommended)</b>	<b>General</b>	<b>Federal</b>	<b>Other</b>	<b>%General</b>	<b>%Federal</b>	<b>%Other</b>
STATE GENERAL FUND	563,210	0	0	100.0%	0.0%	0.0%
SCHOOL & PUBLIC LANDS-OTHER	0	0	325,295	0.0%	0.0%	100.0%

**MAJOR ITEMS SUMMARY: ADMINISTRATION OF SCHOOL AND PUBLIC LANDS (3001)**

	Agency Request					Governor's Recommendation				
	General	Federal	Other	Total	FTE	General	Federal	Other	Total	FTE
FY 2020 Base Budget	563,210	0	325,295	888,505	0.0	563,210	0	325,295	888,505	0.0
Maintenance of Current Operations										
Total Maintenance Adjustments	0	0	0	0	0.0	0	0	0	0	0.0
FY 2020 Program Maintenance Budget	563,210	0	325,295	888,505	0.0	563,210	0	325,295	888,505	0.0
Program Line Items										
Total Program Line Items	0	0	0	0	0.0	0	0	0	0	0.0
FY 2020 Total Budget	563,210	0	325,295	888,505	6.0	563,210	0	325,295	888,505	6.0
Change from Base Budget	0	0	0	0	6.0	0	0	0	0	6.0
% Change from Base Budget	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

**BUDGET DETAIL: ADMINISTRATION OF SCHOOL AND PUBLIC LANDS (3001)**

Prior Year Recap	FTE	General	Federal	Other	Total	
<b>FY 2018 Original Budget</b>	<b>6.0</b>	<b>558,705</b>	<b>0</b>	<b>273,523</b>	<b>832,228</b>	
<b>Legislative Adjustments</b>						
Supplemental Bill - Health Insurance		PS	4,853	0	328	5,181
Supplemental Bill		OE	0	0	78,850	78,850
Supplemental Bill - Health Insurance		OE	174	0	0	174
<b>Total Legislative Adjustments</b>	<b>0.0</b>		<b>5,027</b>	<b>0</b>	<b>79,178</b>	<b>84,205</b>
<b>Agency Adjustments</b>						
Prior Year One-Time Transfer		PS	0	0	1,000	1,000
Prior Year One-Time Transfer		OE	0	0	(1,000)	(1,000)
<b>Total Agency Adjustments</b>	<b>0.0</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>FY 2018 Adjusted Budget</b>	<b>6.0</b>		<b>563,732</b>	<b>0</b>	<b>352,701</b>	<b>916,433</b>

<b>Reversions</b>						
Prior Year Reversions	PS		(5,442)	0	(587)	(6,029)
Prior Year Reversions	OE		(29)	0	(31,116)	(31,145)
<b>Total Reversions</b>		<b>0.0</b>	<b>(5,471)</b>	<b>0</b>	<b>(31,703)</b>	<b>(37,174)</b>
<b>Unutilized FTE</b>		<b>0.0</b>				
FY 2018 Percent Reverted or Transferred		0.0%	(1.0%)	0	(11.6%)	(4.5%)

**Prior Year Transfers Between Programs**

One-time transfer of **\$1,000** in **other funds** from operating expenses to personal services. The other fund expenditure authority will be used to cover a shortfall in personal services. Reference ID: JB2018190

**Prior Year Supplemental**

An increase of **\$78,850** in **other fund** expenditure for increased activity due to drought year.

Current Year Recap		FTE	General	Federal	Other	Total
<b>FY 2019 Original Budget</b>		<b>6.0</b>	<b>558,705</b>	<b>0</b>	<b>325,000</b>	<b>883,705</b>
<b>Legislative Adjustments</b>						
Market Adjustment	PS		4,398	0	295	4,693
Market Adjustment	OE		107	0	0	107
<b>Total Legislative Adjustments</b>		<b>0.0</b>	<b>4,505</b>	<b>0</b>	<b>295</b>	<b>4,800</b>
<b>Agency Adjustments</b>						
<b>Total Agency Adjustments</b>		<b>0.0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>FY 2019 Adjusted Budget</b>		<b>6.0</b>	<b>563,210</b>	<b>0</b>	<b>325,295</b>	<b>888,505</b>

**FY 2020 Base**

Agency Request		6.0	563,210	0	325,295	888,505
<i>Governor's Recommendation</i>		6.0	563,210	0	325,295	888,505

**FY 2020 Maintenance of Current Operations**

Agency Request		6.0	563,210	0	325,295	888,505
<i>Governor's Recommendation</i>		6.0	563,210	0	325,295	888,505

**FY 2020 Total**

Agency Request		6.0	563,210	0	325,295	888,505
<i>Governor's Recommendation</i>		6.0	563,210	0	325,295	888,505

Agency Request

Change from Original Appropriation		0.0	0	0	0	0
% Change from Original Appropriation		0.0%	0.0%	0.0%	0.0%	0.0%

*Governor's Recommendation*

Change from Original Appropriation		0.0	0	0	0	0
% Change from Original Appropriation		0.0%	0.0%	0.0%	0.0%	0.0%

## HISTORY OF SCHOOL AND PUBLIC LANDS

**"The Commissioner of school and public lands shall have the direction, management, and control of all lands heretofore granted or which may hereafter be granted to this state by the United States..."**

When South Dakota became a state in 1889, the federal government granted the state over 3.5 million acres of land. In each township sections 16 and 36 were to be used for schools and other public purposes. These are known as common school lands. If these sections were already settled, the government provided replacement lands known as indemnity lands.

Additional lands were also provided and could be divided as the State wished. The South Dakota Constitution divided these lands between the state's universities, the School for the Visually Handicapped, the School for the Deaf, State Training School, and the Developmental Center in Redfield. To manage these lands and the money they generated, the constitution established the Office of the Commissioner 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.

## SURFACE DIVISION - LAND LEASES

Grazing and agricultural leases are offered with five-year terms. At the end of the five years, the lessee can pursue one five-year extension of the lease. In 2018, the Office of School and Public Lands managed and maintained surface leases on 764,664 acres, and land rentals reached a record high of \$8.14 million. 215,347 acres of grazing and agricultural property located in 33 counties were leased at public auction.

The lease rate is set annually by the commissioner based on a formula in state law (SDCL 5-5-10.4). The Animal Unit Month (AUM) rate is calculated by multiplying the 5-year average price per lb. of all calves sold in South Dakota by 425 lbs., (actually use 500 lbs. as that is the closest weight reported) which is the average calf weight, divided by 12 months and multiplied by 25% (percentage set by the Commissioner of School and Public Lands).

### AUM Rates:

- 2011 \$11.07
- 2012 \$12.94
- 2013 \$13.72
- 2014 \$14.68
- 2015 \$17.21
- 2016 \$19.22
- 2017 \$19.06
- 2018 \$19.38

## OIL AND GAS ROYALTIES

SDCL 5-7-24 - The Lessee shall pay in money to the Lessor during the full term of this lease, a royalty of one-eighth, free of all costs and deductions, on the oil produced from the wells under this lease. The Lessee shall also pay in money to the Lessor during the full term of this lease, a royalty of one-eighth, free of costs and deductions, on the gas produced from the wells under this lease, whether the wells produce oil and casinghead gas or gas alone. All royalties shall be calculated upon the total amount produced, saved and marketed under this lease based on the fair market value of oil or gas or casinghead gas of like quality prevailing on the day the substance is sold.

Mineral leases are issued for a maximum of 15 years; oil and gas leases are issued for five-year terms. All leases can be held indefinitely as long as there is production on the lease. In FY15, the production royalties tied to the price of a barrel of oil fell significantly.

Oil and Gas Royalties:

- FY12 \$2,890,802
- FY13 \$3,298,003
- FY14 \$3,897,065
- FY15 \$2,410,937
- FY16 \$1,374,467
- FY17 \$1,266,909
- FY18 \$1,396,563

**K-12 FUNDING - APPORTIONMENTS TO PUBLIC SCHOOLS**

SDCL 13-13-1 directs the Commissioner to “apportion to each school district, pro rata, such share, as its population of resident pupils in average daily membership in the school district bears to the total number of pupils in average daily membership in all school districts.”

SDCL 13-13-1.1 Individual school district average daily membership defined. The individual school district average daily membership as calculated by the Department of Education for distribution of school and public lands funds may not include pupils for whom the school district receives tuition, shall include pupils for whom the district pays tuition, and shall include resident pupils attending public schools within the district and resident pupils attending private schools.

Total Apportionment Funding to K-12 School Districts:

- FY11 \$8,273,935
- FY12 \$7,433,191
- FY13 \$7,422,432
- FY14 \$8,773,822
- FY15 \$9,969,231
- FY16 \$10,227,405
- FY17 \$10,196,471
- FY18 \$11,282,447
- FY19 \$12,112,217 (will be paid in February 2019)

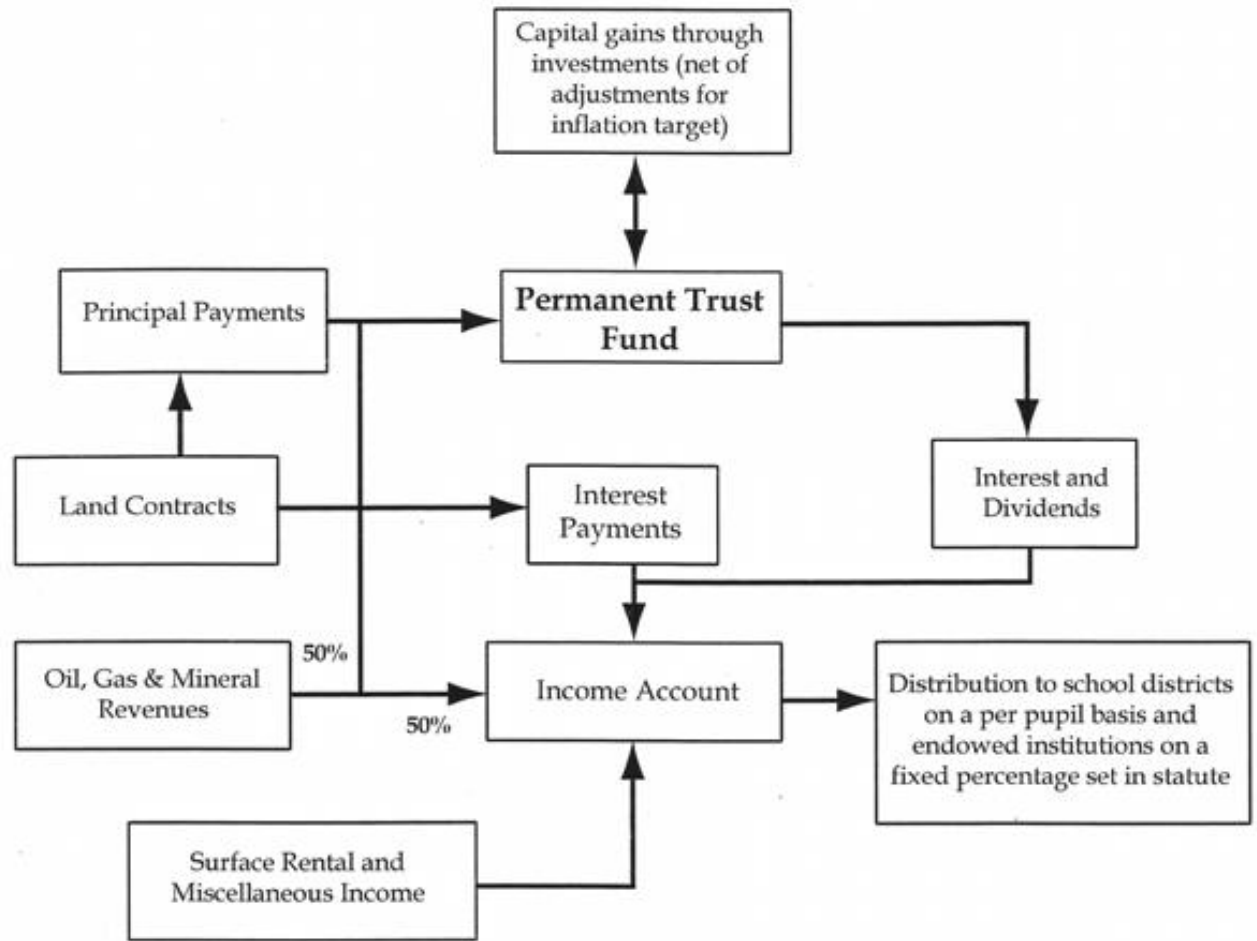
**PESTICIDE REGISTRATION FEE - OTHER FUND REVENUE**

State law requires that all pesticide products sold in South Dakota be registered with the South Dakota Department of Agriculture. The annual registration fee is \$120 (SDCL 38-20A-4). A 50% late fee is assessed on late registration renewals. SDCL 38-20A-59 distributes the annual fee as follows:

- a. \$20 is deposited in the Pesticide Regulatory Fund (Dept. of Agriculture);
- b. \$33.75 is deposited in the Weed and Pest Control Fund (Dept. of Agriculture);
- c. \$21.25 is deposited in the Public Lands Weed and Pest Fund (SPL);**
- d. \$15 is deposited within the Agricultural Experiment Station (Board of Regents);
- e. \$10 is deposited within the Cooperative Extension Service (Board of Regents); and
- f. \$20 is deposited in the Pesticide Recycling and Disposal Fund (Dept. of Agriculture).

School and Public Lands collected \$299,090 from the Pesticide Registration Fee in FY2018 and spent \$320,998 on efforts to control and manage noxious weeds and pests on state trust lands. At the end of the year, unappropriated cash in the Public Lands Weed and Pest Fund over \$300,000 reverts to the South Dakota Department of Agriculture's Weed and Pest Control Fund created by SDCL 38-22-35. In FY2018, \$0 reverted to the Department of Agriculture.

**SCHOOL AND PUBLIC LANDS INCOME FLOW CHART**



**REVENUES AND STATISTICS: ADMINISTRATION OF SCHOOL AND PUBLIC LANDS (3001)**

<b>Revenues</b>	<b>Actual FY 2017</b>	<b>Actual FY 2018</b>	<b>Estimated FY 2019</b>	<b>Estimated FY 2020</b>
Surface Leasing	6,651,387	8,140,863	7,000,000	7,000,000
Mineral Monies (Permanent Trust Fund)	629,210	683,029	1,000,000	1,000,000
Mineral Monies (School Distribution Funds)	629,210	683,029	1,000,000	1,000,000
Investment Income	6,753,618	5,646,683	6,000,000	6,000,000
Escheats & Interest on Escheated Investments	5,262	13,793	30,000	10,000
Service Fees, Copies, Assignment of Leases, and Easements	48,363	25,000	300,000	25,000
<b>Total</b>	<b>\$14,717,050</b>	<b>\$15,192,397</b>	<b>\$15,330,000</b>	<b>\$15,035,000</b>

<b>Performance Indicators</b>	<b>Actual FY 2017</b>	<b>Actual FY 2018</b>	<b>Estimated FY 2019</b>	<b>Estimated FY 2020</b>
Apportion Common School Interest Fund and Income to School Districts	\$10,196,470	\$11,282,000	\$12,112,217	\$12,000,000
Apportion Endowed Income and Interest Fund to Ten Endowed Institutions	\$2,410,000	\$2,641,703	\$2,500,000	\$2,500,000
Grazing Land Lease Holders/Acres Leased	1,243/760,422	1,243/760,422	1,243/760,422	1,243/760,422
Annual Delay Rental (ADR) Oil and Gas	600	160	170	170
Held By Production (HBP) Oil and Gas	90	84	86	85
Mining Leases	3	3	3	3
Dam Repair Schedule	2	1	2	2
Dam Inspections	25	25	25	25
Easements and Plats Issued	10	8	55	12
Land Sales Completed (For Other Agencies)	4	4	5	5

**Other Fund Balance History**

<b>Company</b>	<b>60 Month Average</b>	<b>Minimum Balance</b>	<b>Most Recent Occurrence of Minimum</b>	<b>Balance on June 30</b>				
				<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
3001 - PUBLIC LANDS WEED & PEST FUND	227,839	81,781	May 2018	300,000	300,000	300,000	300,000	280,669



## Historical Budget Changes

	General Funds	Federal Funds	Other Funds	Total Funds	FTEs
<b>FY15 Budget Increases</b>					
• Interagency Billing Increase	1,001			1,001	
<b>FY16 Budget Increases</b>					
• None					
<b>FY17 Budget / Decreases</b>					
• Decrease in Personal Services - general funds	(26,400)			(26,400)	
• Decrease in Operating Expenses - other funds			(26,800)	(26,800)	
• Land Improvement Projects on SPL's ranches	26,400			26,400	
• Increase in personal services - other funds for weed and pest fund additional duties			26,800	26,800	
• Operating expense budget realignment			(52,050)	(52,050)	
<b>FY18 Budget</b>					
• None					
<b>FY19 Budget</b>					
<b>FY2019 Line Items</b>					
• Additional Pest and Weed Control			51,477	51,477	