

# FY 2024 Budget Presentation



**SOUTH  
DAKOTA  
DEPARTMENT  
of  
AGRICULTURE  
and NATURAL  
RESOURCES**

January 26, 2023

Joint Committee on Appropriations

Pierre, SD

# Presentation Outline

- Introductions
- DANR Overview
- Updates
- Budget and FTE Overview
- Proposed Budget Adjustments
- Appropriations and Fees
- Workforce Summary
- Five-year Outlook
- Questions

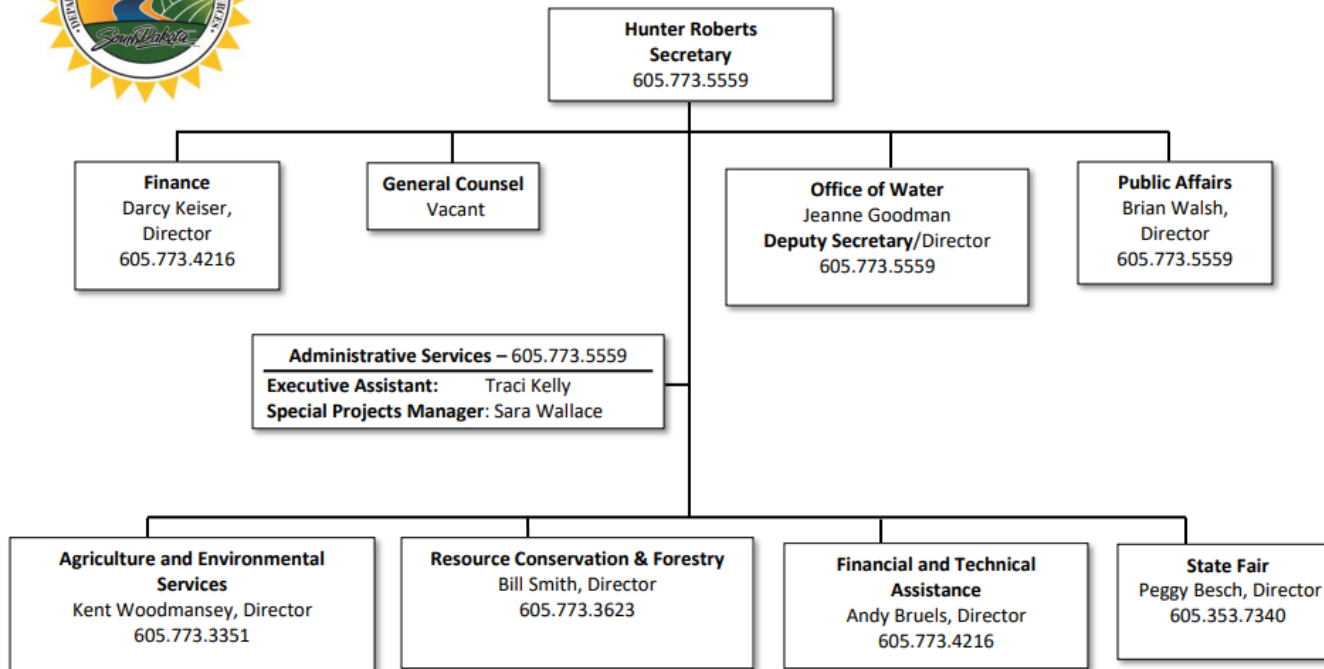


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# Introductions



## SOUTH DAKOTA DEPARTMENT of AGRICULTURE and NATURAL RESOURCES



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*To Protect and Preserve South Dakota's agriculture, environment, and natural resources through effective regulatory services, natural resource conservation, and financial and technical assistance*

# DANR Mission & Vision

- **Mission** – To protect and preserve South Dakota’s agriculture, environment, and natural resources through effective regulatory services, natural resource conservation, and financial and technical assistance
- **Vision** – A South Dakota with a prosperous economy, diverse agricultural opportunities, clean air, clean water, and healthy families



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# DANR Overview – Office of the Secretary

## Office of the Secretary – Hunter Roberts, Secretary / Jeanne Goodman, Deputy Secretary

|                 |              |          |  |                           |
|-----------------|--------------|----------|--|---------------------------|
| Public Affairs  | Brian Walsh  | Director | Policy, Mediation, Boards and Commissions, Media Relations, Special Projects | General / Federal / Other |
| Finance         | Darcy Keiser | Director | DANR Budget, Finances, Travel  | General / Other / Federal |
| General Counsel | Vacant       |          | Legal Services   | General / Other / Federal |



# DANR Overview – Office of Water

| Office of Water – Jeanne Goodman P.E., Deputy Secretary / Director |                     |                                       |  |                                  |
|--|---------------------|---------------------------------------|--|----------------------------------|
| Drinking Water   | Mark Mayer, P.E.    | Program Administrator                 | Drinking Water Standards, Operator Certification, Source Water and Wellhead Protection | Federal / Fees / Other / General |
| Water Quality  | Kelli Buscher, P.E. | Program Administrator                 | Water Quality Standards, Discharge Permits, Stormwater                                 | Federal / Fees / General         |
| Water Rights   | Eric Gronlund, P.E. | Program Administrator, Chief Engineer | Water Right Permits, Safety of Dams, Well Construction                                 | General / Federal / Fees         |



# DANR Overview – Resource Conservation and Forestry

## Resource Conservation and Forestry – Bill Smith, Director

|                      |                |                         |  |                           |
|----------------------|----------------|-------------------------|--|---------------------------|
| Forestry             | Marcus Warnke  | State Forester          | Forest and Tree Health, Forest Management, State Forest Action Plan, Windbreaks, Urban and Community Forestry Program  | General / Federal / Other |
| Conservation         | Alex Roeber    | Environmental Scientist | Conservation District Funding, Coordinated Plan for Natural Resources, Soil Health   | General                   |
| Watershed Protection | Barry McLaury  | Program Administrator   | Waterbody Assessment, Section 319, TMDLs, Harmful Algal Blooms, RBI  | Federal / General         |
| Plant Industry       | Brenda Sievers | Program Manager         | Seed, Nursery, Cooperative Agriculture Pest Survey (CAPS), Weed & Pest Program, Weed & Pest Control Commission, State Weed Grants thru Commission, Bio Control, Quarantine, Export, Apiary (honeybees) | Fees / General / Federal  |

# DANR Overview – Agriculture and Environmental Services

| Agriculture and Environmental Services – Kent Woodmansey P.E., Director |                      |                       |   |                                  |
|---|----------------------|-----------------------|---|----------------------------------|
| Air Quality   | Kyrik Rombough, P.E. | Program Administrator | Air Quality Permitting, Air Monitoring, Smoke School, Radon, Volkswagen Trust   | Federal / Fees / General         |
| Livestock Services  | Troy Roth, P.E.      | Program Administrator | CAFO Permitting, Dairy and Eggs, Septic Systems   | General / Fees / Federal         |
| Waste Management  | Jim Wendte, P.E.     | Program Administrator | Solid Waste, Hazardous Waste, Recycling, Asbestos, Pesticide Container and Waste Collection   | General / Federal / Other / Fees |
| Inspection, Compliance, and Remediation                                 | Terry Florentz, P.E. | Program Administrator | Spills, Tanks, Pesticide Regulations, Certification and Training, Product Registration, Hemp, Fertilizer/Soil Amendment, Feed/Animal Remedy, Rodent Control Bait, SARA Title III, Brownfields | Federal / Fees / General / Other |
| Minerals, Mining, and Superfund   | Mike Lees            | Program Administrator | Mining Permits, Mineral Exploration, Superfund, Oil and Gas, Sand and Gravel  | General / Fees / Federal         |

# DANR Overview – Financial and Technical Assistance & State Fair

## Financial and Technical Assistance – Andy Bruels P.E., Director

|                       |                      |  |   |                           |
|-----------------------|----------------------|--|---|---------------------------|
| Environmental Funding | Mike Perkovich, P.E. | Program Administrator                  | Funding for Water, Wastewater, Solid Waste, Recycling, Watershed Restoration, Petroleum Release Compensation Fund | Federal / Other           |
| Geological Survey     | Tim Cowman           | Program Administrator, State Geologist | Natural Resources Assessment and Investigation, Aquifer Delineations, Geologic Mapping, Oil and Gas Initiative    | General / Federal / Other |

## South Dakota State Fair – Peggy Besch, State Fairgrounds Manager

|                         |              |                   |   |                 |
|-------------------------|--------------|-------------------|---|-----------------|
| South Dakota State Fair | Candi Briley | Assistant Manager | State Fair, State Fairgrounds, Non-fair Events, the DEX | Other / General |
|-------------------------|--------------|-------------------|---|-----------------|

# Updates – The DEX

## SB 99 – The DEX Bill

- Appropriated \$12,000,000 in general funds and \$8,000,000 in other funds (insurance and fundraising dollars) to construct the facility
- Authorized demolition of the Open Class Sheep Barn
- Signed by Governor Noem on March 21, 2021



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# Updates – The DEX

- The DEX – Timeline
  - **October 2020** – Open Class Beef Barn Fire
  - **January 2021** – DEX Fundraising Campaign Announced
  - **September 2021** – Groundbreaking Ceremony
  - **May 2022** – Open Class Sheep Demo Complete
  - **April / May 2022** – Major Construction Begins
  - **June 2023** – Substantial Construction Complete
  - **July 2023** – Host the American Gelbvieh Junior Classic
  - **September 2023** – Ready for use at the 2023 State Fair!
  - **October 2023** – Smashing Cans Barrel Race & SD Rodeo Association Finals



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# Updates – The DEX



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# Updates – The DEX



# Updates – ARPA Funding

- SB 62 (2022) appropriated \$600M in federal fund expenditure authority to the Board of Water and Natural Resources
  - The funding provided \$600M in grants for eligible water, wastewater, storm water, and nonpoint source projects
- 209 State ARPA grants have been awarded and all \$600 million is allocated as of September 29, 2022
  - 185 loans supplementing ARPA projects - total loan amount = \$982.1 million
  - Local ARPA put towards projects was \$50.3 million
- Total project amount leveraged \$1.643 billion



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# Updates – Drill Rig

- The 2022 Legislature appropriated \$675,000 to DANR to:
  - Purchase a new drill rig to replace its 38-year-old rig
  - Purchase a new support water tank
- Equipment purchased:
  - Mobile Drill B-58 Drill Rig mounted on tandem-axle truck with 100 feet of new hollow stem augers (\$616,737)
  - New 2,300-gallon water tank built and installed on an existing state vehicle chassis (\$58,200)
- Schedule – Drill rig and water tank are on schedule for delivery on May 1, 2023



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# Updates – Drill Rig



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# Updates – Spyglass Wells

## Background

- **2012:** Spyglass Cedar Creek LP ceased operation of 40 natural gas wells in southern Harding County due to low gas prices
- **2019:** the SD Board of Minerals and Environment approved revocation of Spyglass’s permits and forfeiture of its \$30,000 plugging and performance bond
- **2020:** the Legislature enacted SB17, **An Act to make an appropriation for the plugging and surface reclamation of natural gas wells and to declare an emergency**, appropriating \$727,700 from DANR’s Petroleum Release Compensation Fund (PRCF) to plug 40 natural gas wells orphaned by Spyglass Cedar Creek
- **2020:** the Legislature also enacted HB1025, **An Act to revise certain provisions regarding plugging and performance bonds for oil and gas wells**, increasing oil & gas well bond amounts and adding a supplemental bond requirement for idle oil & gas wells; bond changes were designed to minimize future orphaned wells



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# Updates

## Plugging Details

- DENR (now DANR) contracted Liquid Gold Well Services, Inc. of Cut Bank, Montana to plug the 40 Spyglass wells
- 21 of the 40 wells were plugged between 2020 and 2021 at a total cost of \$300,638
- 8 of the 40 wells are under contract to be plugged in CY2023 at a cost not to exceed \$98,626
- The remaining 11 wells are in the process of being transferred to a new operator
  - Plan to put the wells back into production
  - Will post an actual cost of plugging bond - \$13,000 per well
  - New operator will not be using the wells for bitcoin mining



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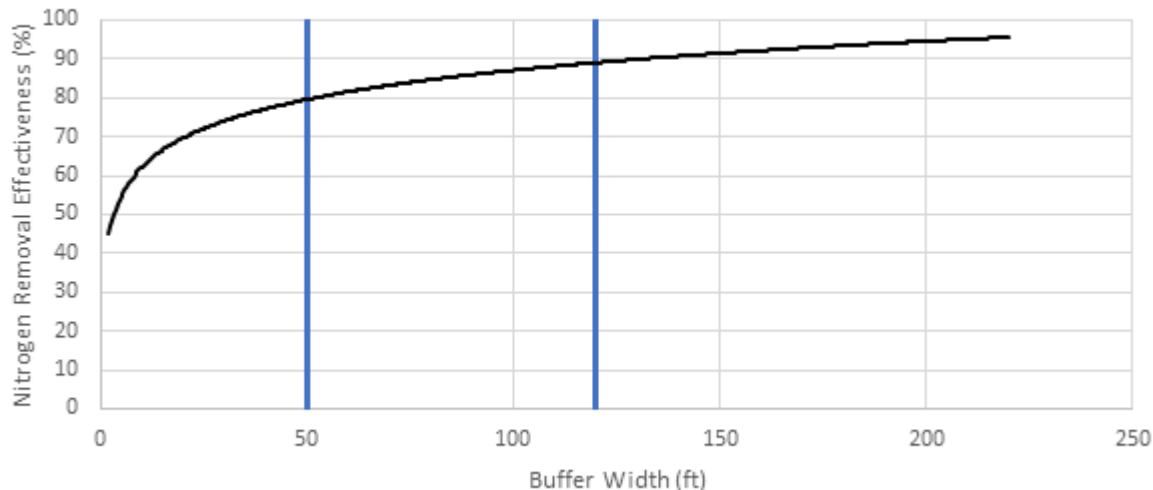
# Updates - RBI

- HB 1256 (2021) – Big Sioux Watershed and River Implementation
  - Appropriated \$3,000,000 in general funds for implementation and restoration of the Big Sioux River
  - Began development of the Riparian Buffer Initiative
  - Initial efforts to enroll landowners in the RBI program have not been successful



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Nitrogen Removal Effectiveness (%) from Riparian Buffers



# Updates - RBI

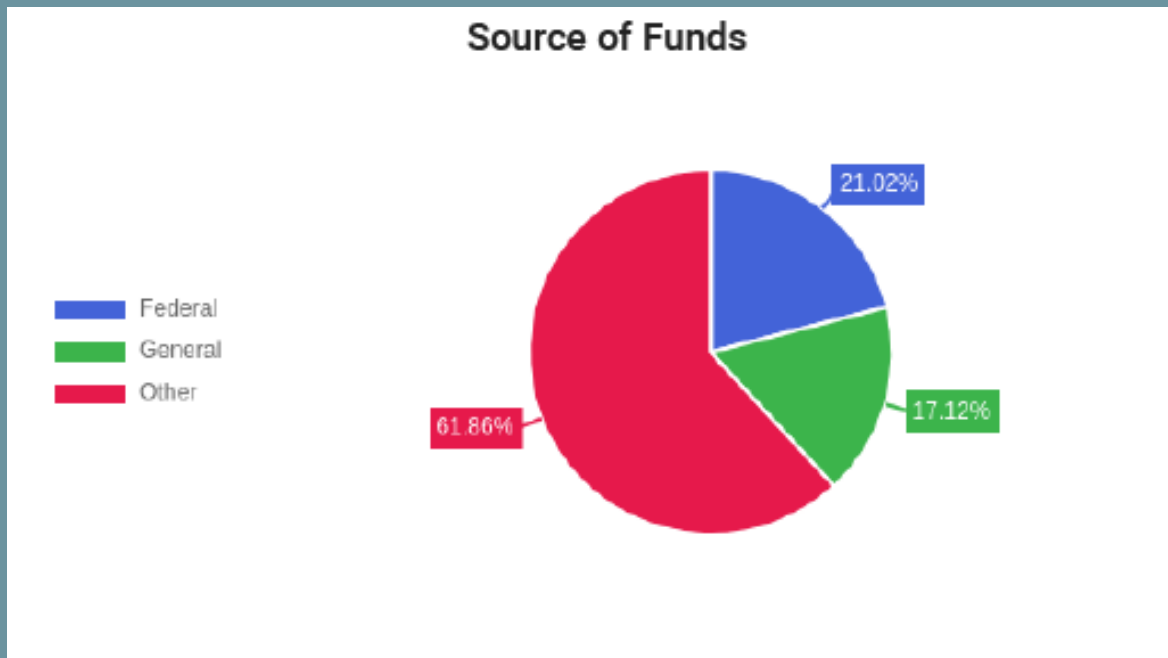
- DANR's new approach to clean up the Big Sioux Watershed:
  - DANR will enroll riparian buffers through our RBI program by paying 250% of the NASS annual rental rate for buffer strips
- DANR will offer a CRP Buffer Incentive on buffers enrolled on CRP and CREP if they meet the RBI program requirements
  - DANR will provide an additional incentive above the CRP or CREP rental rate equaling 120% of the Continuous CRP rental rate on grazing and crop lands
- DANR will offer cost-sharing for the construction of animal waste management systems to assist small and medium sized animal feeding operations located along waterbodies



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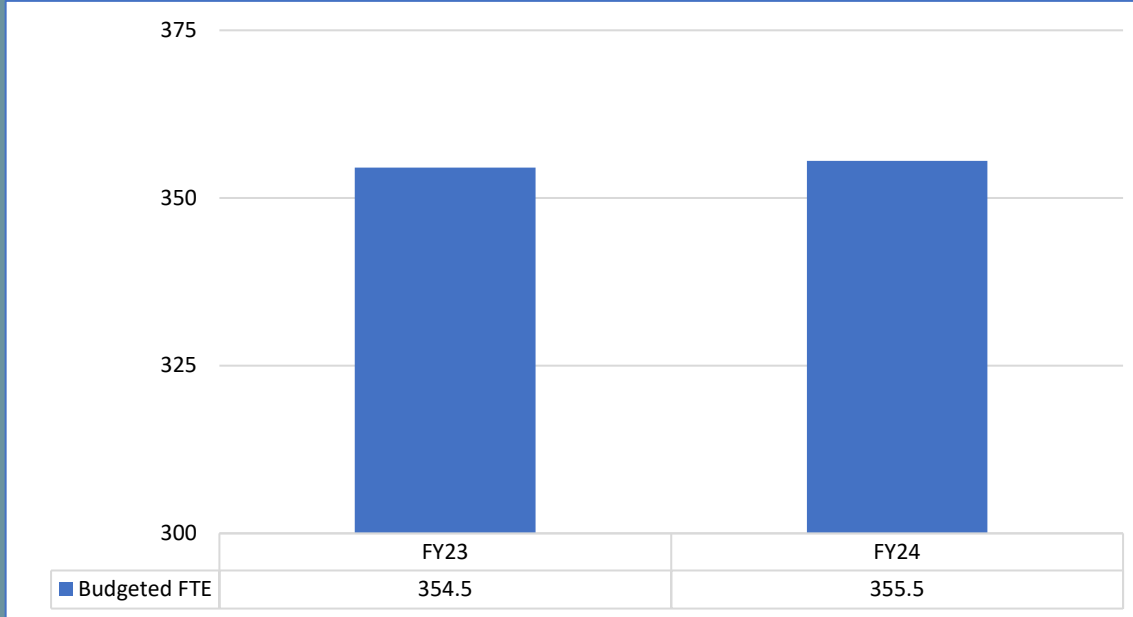
# DANR Source of Funds - Fiscal Year 2024

DANR Funding Sources with Boards and Commissions  
Total Budget = \$83,888,145



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# DANR FTE Summary



Budgeted FTE includes Boards and Commissions

- FTE Changes
  - -1 SD Corn (Contracting Executive Management)
  - +2 State Fair
    - DEX Sales and Events Manager
    - Senior Building Maintenance



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# Budget Adjustments

| DANR Budget Adjustments                  |           |       |             |  |
|--|-----------|-------|-------------|--|
| Apiary Fee Increase (HB1025)             | \$35,000  | 0 FTE | Other Funds | The proposed fee increase will generate \$35,000 allowing DANR to continue to provide effective regulatory services to South Dakota Beekeepers. Last fee increase was in 2001. |
| DEX Maintenance                          | \$300,000 | 0 FTE | Other Funds | To provide maintenance and operation of the DEX. Supported by proposed camping and admission fee increases and DEX revenue.  |
| DEX Sales and Event Manager – State Fair | \$69,346  | 1 FTE | Other Funds | This position is responsible for the leadership, marketing, and management of the DEX. Supported by proposed camping and admission fee increases and DEX revenue.              |
| Senior Building Maintenance – State Fair | \$35,690  | 1 FTE | Other Funds | This position will perform general maintenance and construction activities for the state fair. Supported by proposed camping and admission fee increases and DEX revenue.      |
| Personal Services Budget Shortfall       | \$144,954 | 0 FTE | Other Funds | To cover shortfalls in personal services for state fair operations   |

# Budget Adjustments

| Boards and Commissions Budget Adjustments |               |        |             |   |
|---|---------------|--------|-------------|---|
| American Dairy Association                | \$941,658     | 0 FTE  | Other Funds | Increases linked to checkoff dollars  |
| Animal Industry Board – Bond Payment      | \$12,130      | 0 FTE  | Other Funds | ADRDL bond payment (\$2,680) and property insurance payment (\$9,450)                                   |
| Brand Board                               | \$58,656      | 0 FTE  | Other Funds | Funds will be used to cover increased travel expenses   |
| Corn Utilization Council                  | (\$1,863,953) | -1 FTE | Other Funds | The Council is now contracting out its executive management services and is no longer using a state FTE |
| Oilseeds Council                          | \$82,554      | 0 FTE  | Other Funds | Increases linked to checkoff dollars  |
| Pulse Crops Council                       | \$27,200      | 0 FTE  | Other Funds | Increases linked to checkoff dollars  |
| Soybean Research & Promotion Council      | \$2,415,753   | 0 FTE  | Other Funds | Increases linked to checkoff dollars  |
| Wheat Commission                          | \$205,395     | 0 FTE  | Other Funds | Increases linked to checkoff dollars  |

# Appropriations and Fees

## Appropriation & Fee Bills

|  |  |
|--|--|
| SB17 - Omnibus Water Funding Bill                        | \$685,000 federal funds<br>\$21,775,273 other funds  |
| SB18 - State Fair Dakota Events Complex (DEX)            | \$6,000,000 general funds<br>\$3,000,000 other funds |
| SB21 - Black Hills Land and Resource Management Plan     | \$950,000 general funds                              |
| HB1021 – Coordinated Natural Resources Conservation Fund | \$1,000,000 other fund authority                     |
| HB1025 – Apiary Fee Increase                             | \$35,000 other funds                                 |

## Other Proposed Fee Increases

|                                    |                       |
|------------------------------------|-----------------------|
| State Fair Gate Admission Increase | \$286,690 other funds |
|------------------------------------|-----------------------|



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# Appropriations

## Omnibus Water Funding - \$22,460,273 (SB17)

- The annual Governor's Omnibus Water Funding bill appropriates funding from the Water and Environment Fund for solid waste, environmental infrastructure, and water development projects
- Regionalization Projects:
  - Includes \$5,000,000 for the Water Investment in Northern South Dakota Project
  - Includes \$1,000,000 for the Western Dakota Regional Water System



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# Appropriations

## State Fair DEX - \$9,000,000 (SB 18)

- The 2021 Legislature passed SB 99 appropriating \$20 million to construct the DEX - \$12 million in one-time general funds and \$8 million in other funds
- Construction is well underway, but like so many projects across the country the project has been impacted by increased construction material costs and supply chain delays
- Asking (SB 18) for an additional \$9 million in one-time funds to complete the project
  - \$6 million general funds
  - \$3 million other funds



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# Appropriations

## Black Hills Land and Resource Management Plan - \$950,000 (SB 21)

- The Black Hills National Forest is in the process of revising the Land and Resource Management Plan that guides agency action for the next 20 years
- Impacted South Dakota counties and DANR need to be fully engaged in the development of the next Land and Resource Management Plan
- To support the counties, DANR is proposing an appropriation of \$500,000 to implement a 1:1 cost share program to help counties engage in the process
- DANR is proposing an appropriation of \$450,000 to fill a Cooperative Forestry Specialist position for four years to ensure existing programs and projects are fully maintained throughout the Land and Resource Management Plan revision



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# Appropriations

## Coordinated Natural Resource Conservation Fund - \$1,000,000 (HB 1021)

- Provides the State Conservation Commission with spending authority to use the deposits in the Coordinated Natural Resource Conservation Fund
- Used to assist the state's conservation districts with conservation practices on working private lands



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# Fees

## Apiary Fee Increase (HB1025)

- DANR manages its Apiary regulatory program to support South Dakota's beekeepers and our honey industry which, in 2021, was #2 in the nation in honey production
- The funding source for the program are registration fees assessed on each permanent and temporary apiary location. The fees are established in law (38-18-3) and are currently set at \$11 per permanent location and \$30 per temporary location
- The last time the fee structure was updated was in 2001 and the amount of fees collected no longer covers the cost of administering the program
- The proposed change would increase the registration fee for permanent locations from \$11 to \$16 and increase the registration fee for temporary locations from \$30 to \$40
- This will generate approximately \$35,000 per year stabilizing the Apiary Fund and allowing DANR to continue providing effective regulatory service to South Dakota Beekeepers.



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# Fees

## State Fair Fee Increase

- Included in our proposed budget is additional authority to allow for admission fee increases at the State Fair
- Our plan is to work through the rule making process this spring, so they are in place for the 2023 fair
- The proposed increase is expected to generate approximately \$286,690 per year
- Increased fee revenue will help support:
  - Ongoing fair operations cost
  - DEX Sales and Events Manager FTE
  - Senior Building Maintenance FTE
- We look forward to further discussions on this issue during the rule making process



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# DANR Workforce Summary

| Workforce  |             |
|--|-------------|
| FY22 Unutilized FTE                              | 37.14       |
| FY23 Projected Unutilized FTE                    | 24          |
| Turnover Rate                                    | 13.8%       |
| Average employee age                             | 44.2        |
| Employees eligible to retire now                 | 13.6%       |
| Employees eligible to retire in the next 5 years | 27.6%       |
| Long-term vacant positions (over 180-days)       | 16          |
| 2022 (Calendar Year) Overtime Use                | 2,785 hours |

Most pressing workforce issue is attracting qualified applicants to apply



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# Five-year Outlook

- DANR will continue to protect and preserve South Dakota agriculture, environment, and natural resources
- There will be challenges:
  - Workforce
  - Fighting federal overreach
- And opportunities:
  - Completing the DEX
  - Statewide infrastructure upgrades (ARPA)
  - Continued growth and development of South Dakota's number one industry – Agriculture!
- No matter what the future holds – DANR will continue to be a mission driven agency working towards a South Dakota with a prosperous economy, diverse agricultural opportunities, clean air, clean water, and healthy families!



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# Questions?



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