

# MINUTES

## Interim Joint Committee on Appropriations



Senator Larry Tidemann, Lead Co-Chair  
Representative David Anderson, Co-Chair

**Second Meeting, 2017 Interim  
Thursday, June 08, 2017**

**University Center  
Sioux Falls, SD**

The second meeting of the Interim Joint Committee on Appropriations for 2017 was called to order by **Lead Co-Chair Larry Tidemann** at 1:30 p.m. in room 145 of the University Center, Sioux Falls, South Dakota.

A quorum was determined with the following members answering the roll call: Senator Larry Tidemann, Lead Co-Chair; Representative David Anderson, Co-Chair; Senators Terri Haverly, Reynold Nesiba, Jeffrey Partridge, Billie Sutton, Jim White, and John Wiik; Representatives Dan Ahlers, Hugh Bartels, Lance Carson, Taffy Howard, Jean Hunhoff, Chris Karr, John Lake, and Sue Peterson. Excused: Senators Justin Cronin and Deb Peters.

Staff members present included Annie Mehlhaff, Chief Fiscal Analyst; Jason Simmons, Principal Fiscal Analyst; Stephanie Gruba, Senior Fiscal Analyst; Jeff Mehlhaff, Fiscal Analyst, and Lucas Martin, Fiscal Analyst.

***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 web cast live. The archived web cast is available at the LRC web site at <http://sdlegislature.gov>.*

### **Approval of Minutes**

**A MOTION WAS MADE BY SENATOR PARTRIDGE, SECONDED BY SENATOR NESIBA, TO APPROVE THE MINUTES OF THE MARCH 27, 2017, INTERIM JOINT COMMITTEE ON APPROPRIATIONS MEETING. The motion prevailed on a voice vote.**

### **Co-Chair's Opening Remarks**

**Lead Co-Chair Tidemann** reported on the financial challenges facing other states' higher education systems. He recently attended a Midwestern Higher Education Commission meeting and learned that many states are being forced to make significant cuts to their higher education systems.

**Co-Chair David Anderson** thanked everyone for coming and for hosting the committee on the tour. He commented on the Human Services Center in Yankton and the positive transformation the administration has made over the years.

### **Revisit Letter of Intent Regarding the Math @ Mines Program**

Senator Tidemann explained that after the Math @ Mines Letter of Intent was approved in March, he learned the Board of Regents had an alternate funding source. The approved Letter of Intent restricted the funding to include only private donations and/or program participation fees. The letter further prohibited the use of tuition and fee dollars.

**Senator Jeffrey Partridge** learned from Dr. Rush, Executive Director, SD Board of Regents, a funding source has been identified for the program and had asked for permission to spend tuition and fee dollars.

**Representative Taffy Howard** reminded the committee that the purpose of the letter was to prohibit the use of tuition and fee dollars for this program. Representative Howard said the Board of Regents can raise private funds for the program, just as they have done in the past.

**Representative Sue Peterson** indicated that by rescinding a Letter of Intent, the Committee could be setting a bad precedent which could cause other agencies to lobby the Committee when they receive an unwelcome directive.

Representative Anderson asked if the Board of Regents had collected any money for the program. Senator Partridge responded that the South Dakota School of Mines and Technology (SDSMT) is always raising money and the original fundraising campaign was for a pilot project.

**Representative Chris Karr** asked for the number of students involved in the program. **Mr. Jeff Mehlhaff, LRC Fiscal Analyst**, responded that 181 students had taken part in the FY2016 program.

**Representative John Lake** asked for more information on the recently identified funding source. Senator Tidemann replied that it is from a reserve account which contains tuition dollars.

Representative Anderson recounted the events of the day the SDSMT budget was set. The Board of Regents said they could not identify any funding for the Math @ Mines program. However, now there are funds available, which is concerning, but voiced his support for the rescission.

**Senator John Wiik** called the question.

**A MOTION WAS MADE BY SENATOR WIIK, SECONDED BY SENATOR PARTRIDGE, TO RESCIND THE LETTER OF INTENT APPROVED ON MARCH 27, 2017, WHICH RESTRICTS THE FUNDING USED FOR THE MATH @ MINES PROGRAM AT THE SOUTH DAKOTA SCHOOL OF MINES AND TECHNOLOGY. The motion prevailed on a roll call vote with 13 voting AYE, 3 voting NAY, and 2 EXCUSED. Those voting AYE: Haverly, Nesiba, Partridge, Sutton, White, Wiik, Ahlers, Bartels, Carson, Hunhoff, Lake, Anderson, and Tidemann. Those voting NAY: Howard, Karr, and Peterson. Those EXCUSED: Cronin and Peters.**

### **Update on Lean Management Review in BIT**

The Committee received a wrap-up report from Fiscal Analyst Jeff Mehlhaff regarding the lean management contract within the Bureau of Information and Telecommunications (BIT). BIT worked with the lean consultants to complete three projects including Takt Board, requirements gathering, and resource sharing. These projects allowed BIT to better understand and see the movement of projects through the software development life cycle as well as improve upon different steps and processes in the cycle.

### **Update on Lean Management Review in the Department of Labor and Regulation**

**Ms. Marcia Hultman, Secretary, Department of Labor and Regulation**, reported on her department's progress in implementing lean techniques. The executive team is enthusiastic to embrace the lean culture and is currently educating themselves by reading the book *Creating a Lean Culture*, by David Mann. The Department has not chosen a consultant to assist with the management review, but will as soon as the exact needs are determined.

### **Future of the Lean Management Reviews**

Representative Anderson began a discussion on the future of lean reviews elsewhere in state government. He said he would be in favor of a lean management review of the Legislative Research Council's Information and

Technology systems. He added that it would be good for the Legislature to be reviewed the same as Executive Branch agencies.

**Representative Hugh Bartels** agreed improvements could be made to some of the Information Technology (IT) systems.

**A MOTION WAS MADE BY SENATOR WHITE, SECONDED BY REPRESENTATIVE BARTELS, TO REQUEST THE EXECUTIVE BOARD OF THE LEGISLATIVE RESEARCH COUNCIL PERFORM A LEAN MANAGEMENT REVIEW ON THE INFORMATION TECHNOLOGY SYSTEMS IN THE LEGISLATIVE RESEARCH COUNCIL.**

**A SUBSTITUTE MOTION WAS MADE BY REPRESENTATIVE PETERSON, SECONDED BY SENATOR PARTRIDGE, TO REQUEST THE EXECUTIVE BOARD OF THE LEGISLATIVE RESEARCH COUNCIL TO PERFORM A LEAN MANAGEMENT REVIEW ON THE LEGISLATIVE RESEARCH COUNCIL, FOCUSING FIRST ON THE INFORMATION TECHNOLOGY SYSTEMS. The motion prevailed on a voice vote.**

### **Workforce Development and Recruitment in South Dakota**

The Department of Labor and Regulation, the Governor's Office of Economic Development, and the Bureau of Human Resources provided information on their efforts to recruit, retain, and develop South Dakota's workforce.

**Ms. Laurie Gill, Commissioner, Bureau of Human Resources (BHR)**, reported the State of South Dakota is the largest employer in the state. BHR provides a variety of resources to state government agencies to assist in building, developing, and maintaining a healthy workforce. The people are the greatest assets of state government.

**Senator Jim White** asked for the latest turnover percentage in state government. Commissioner Gill replied that in FY2016 the turnover rate was 13.9%. Most businesses experience a turnover rate between 4% and 10%. Governments usually experience higher rates due to changes in administration every four years.

**Representative Lance Carson** asked which agencies experienced the largest turnover rates. Commissioner Gill said the highest turnover is, and always has been, in the lower level jobs at facilities operating twenty-four hours per day, seven days a week. The turnover rate can be as high as 20%.

**Representative Dan Ahlers** asked if BHR has considered relocating jobs from Pierre to a higher population center. Commissioner Gill said they do consider relocating select positions. The relocation depends on the many aspects of each job.

Representative Howard asked about the total remuneration study and how much underpaid are state employees. Commissioner Gill reported that in 2013 the state was 17%-18% behind the market (all positions). After the study, BHR implemented a new pay plan which was approved by the Governor and the Legislature. Every four years BHR will perform a new remuneration study and that process is underway now. Prior to the study in 2013, a remuneration study had not been done in twenty years.

**Ms. Marcia Hultman, Secretary, Department of Labor and Regulation (DLR)**, continued the presentation with non-farm employment statistics for South Dakota. The state's unemployment rate is 2.8%. The number of unemployed people per job opening is 0.34. She further clarified that statistic by saying South Dakota has three job openings for every unemployed person. The total job openings in South Dakota is 16,147. The South Dakota labor force participation rate is 68.1%. The employment participation rate for 16-19 year olds is 37.8%. South Dakota has the highest rate of multiple job holders at 9.1%.

**Mr. Scott Stern, Commissioner, Governor's Office of Economic Development (GOED)**, explained how his office works with DLR on recruiting and growing the workforce. Commissioner Stern said GOED is the marketing and research arm of workforce development, and DLR is the execution arm of the recruitment process. Commissioner Stern reported that South Dakota is the highest ranked state for inbound migration. People move to South Dakota for many reasons, but the highest reason is for the jobs (60%) and for quality of life with their families (24%).

Commissioner Stern and Secretary Hultman are working jointly on a recruitment program that identifies people outside of South Dakota who may not necessarily be looking for a new job, but can be identified as having an interest in what South Dakota can offer. Someone who is interested in Harley Davidson motorcycles and pheasant hunting could be contacted via social media and be encouraged to contact the Department of Labor to view available jobs in that industry. This effort focuses on the blue and gray collar workers.

Secretary Hultman reported on the Dakota Roots program, which has been the flagship workforce recruitment program of DLR for the last ten years. She said the program has recruited 4,688 from other states to South Dakota. The average age of those coming through this program is 34 years of age. This demographic is probably also bringing a spouse and kids with them, so the total impact is larger.

**Representative Jean Hunhoff** requested Secretary Hultman provide data on the total number of people, in-state and out-of-state, recruited to work in the state.

Senator White requested a letter be sent to Secretary Lynne Valenti, Department of Human Services, complimenting her on the improvements she and her staff have made at the Human Services Center in Yankton.

### **Future Meeting Dates and Sites**

Senator Tidemann announced the next meeting will include a tour of the South Dakota Human Services Center in Redfield and an Interim Joint Committee on Appropriations meeting at the Northern State University in Aberdeen, July 25 and 26, 2017.

### **Adjourn**

**A MOTION WAS MADE BY SENATOR PARTRIDGE, SECONDED BY REPRESENTATIVE AHLERS, THAT THE INTERIM JOINT COMMITTEE ON APPROPRIATIONS MEETING BE ADJOURNED. The motion prevailed on a voice vote.**

The Committee adjourned at 2:30 p.m.