

MINUTES

Interim Joint Committee on Appropriations



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

**Fifth Meeting, 2017 Interim
Monday, January 08, 2018**

**Room 362 – State Capitol
Pierre, South Dakota**

The fifth and final meeting of the Interim Joint Committee on Appropriations for 2017 was called to order by Lead Co-Chair Larry Tidemann at 1:00 PM in room 362 of the State Capitol in Pierre.

A quorum was determined with the following members answering roll call: Senator Larry Tidemann, Lead Co-Chair; Representative David Anderson, Co-Chair; Senators Justin Cronin, Terri Haverly, Reynold Nesiba, Jeffrey Partridge, Deb Peters, 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.

Staff members present included Annie Mehlhaff, Chief Fiscal Analyst; Jason Simmons, Principal Fiscal Analyst; Jeff Mehlhaff, Fiscal Analyst, Lucas Martin, Fiscal Analyst, Ariel Hammerquist, Fiscal Analyst, and Cindy Tryon, Senior Legislative Secretary.

***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 NESIBA, SECONDED BY SENATOR PARTRIDGE, TO APPROVE THE MINUTES OF THE DECEMBER 5, 2017, INTERIM JOINT COMMITTEE ON APPROPRIATIONS MEETING. The motion prevailed on a voice vote.

FY2018 Budget Adjustments

Commissioner Liza Clark and Deputy Commissioner Jim Terwilliger, Bureau of Finance and Management, presented the Budget Overview PowerPoint presentation ([Document #1](#)).

Mr. Terwilliger presented the revisions to the FY2018 revenue estimates which were reduced by approximately \$20.3 million.

Representative Taffy Howard requested more information regarding the affect the increased sales tax rate is having on consumer behavior.

Representative Lance Carson asked about the Veterans' Home. Ms. Clark said additional beds eligible for Medicaid funding have been added to the facility which increased savings to the state.

Commissioner Liza Clark, Bureau of Finance and Management, reviewed the FY2018 Adjustments explaining how the adjustments allow for a balanced budget.

Representative David Anderson asked about the cost of the fire in the Custer area. Commissioner Clark said the final costs have not been determined and FEMA will reimburse the state for 75% of the costs.

Commissioner Clark presented the information on the National Guard Readiness Center being built at the Rapid City Regional Airport for National Guard units located there. **Senator Justin Cronin** suggested the Appropriations Committee members from that area tour the current facility and report back to the full committee.

Commissioner Clark explained each of the slides regarding the FY2018 reduction of annual expenses and the FY2018 cash sources.

FY2019 Budget Adjustments

Deputy Commissioner Terwilliger presented the FY2019 Ongoing Revenue Estimates. The FY2019 adopted estimate shows an increase of \$32.4 million over the FY2018 adopted estimate.

Senator Deb Peters asked about the reduction in the Contractors' Excise Tax when there are a record number of building projects ongoing in the Sioux Falls area. Mr. Terwilliger said there was a bubble in the Contractors' Excise Tax in the fall of FY2017 that created this issue. The construction activity continues to be healthy but an increase will not show until that bubble is further in the past.

Commissioner Clark presented the FY2019 Ongoing General Fund Recommendations information, showing an increase of \$32,390,705.

Senator Jim White asked what amount has the South Dakota recovery center brought to the state. **Senator Jeff Partridge** responded that the estimate for FY2019 is just over a million dollars with about \$600,000 going to the general fund.

After discussion about the Build South Dakota program, the committee requested more information on that program be provided to them by the Bureau of Finance and Management.

Commissioner Clark presented the FTE recommendation information. The FY2019 recommendation is for an increase of 44.6 FTE. FTE are defined in statute as certain kinds of hours worked by certain types of employees.

SD Federal Reimbursement Audit Findings Relating to SDRS Contributions

Mr. Rob Wylie, Executive Director, South Dakota Retirement System, introduced Ms. Jacque Storm, SDRS General Counsel, and Mr. Doug Fiddler, SDRS Senior Actuary. Mr. Wylie explained that in 2014 there were changes to the US Government Accountability Office's requirements, and when the US Department of Health and Human Services conducted an audit on the SDRS, HHS concluded the federal government reimbursed the State an excess of \$1.8 million for SDRS contributions and requested repayment. The SDRS appealed that determination and presented a re-statement of how contributions are designed, which led to the amount of the federal government's claim to be decreased to \$88,000. This audit applied to the federally-funded FTEs, of which about 30% in the system fall under that category.

Senator Reynold Nesiba asked for the total amount of the legal fees for the appeal. Mr. Wylie reported those fees were \$45,000.

Mr. Fiddler explained the history of this issue and said the SDRS has changed their methodology on reporting based on the Government Accounting Standards Board (GASB).

Mr. Wylie said with the changes that SDRS has implemented, this should never again be an issue.

Committee Discussion

Senator Tidemann served as Lead Co-chair for the 2017 Legislative Interim. This meeting is the final meeting of the 2017 Legislative Interim and the 2018 Legislative Interim will begin when the 2018 regular legislative session ends in March. Senator Tidemann presented the gavel to Representative Anderson who will serve as Lead Co-chair for the 2018 Legislative Interim.

Adjourn

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

The Committee adjourned at 3:25 PM.