

# MINUTES

## Interim Joint Committee on Appropriations



Senator John Wiik, Lead Co-Chair  
Representative Chris Karr, Co-Chair

**Second Meeting, 2019 Interim  
Monday, July 22, 2019**

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

The second meeting of the Interim Joint Committee on Appropriations (JCA) for 2019 was called to order by Lead Co-Chair Senator John Wiik, at 10:00 a.m. in Appropriations 362 of the State Capitol, Pierre, South Dakota.

A quorum was determined with the following members answering the roll call: Senators Brock Greenfield, Jack Kolbeck, Ryan Maher, Jeffrey Partridge, Margaret Sutton, Jim White, and John Wiik; Representatives Hugh Bartels, Randy Gross, Taffy Howard (via phone), Lance Koth, Jean Hunhoff, Chris Karr, Sue Peterson (via phone), and Doug Post. Excused: Senators Justin Cronin and Reynold Nesiba, and Representative Michael Saba.

Staff members present included Tamara Darnall, Chief Fiscal & Program Analyst; Amanda Doherty-Karber, Senior Fiscal & Program Analyst; Shane Mattheis, Senior Fiscal & Program Analyst; Jeff Mehlhaff, Senior Fiscal & Program Analyst; Mitchell Close, Fiscal and Program Analyst; Jennifer Geuther, Fiscal and Program Analyst; Sakura Rohleder, Fiscal and Program 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 webcast live. The archived webcast is available at the LRC website at <http://sdlegislature.gov>.

### **Approval of Minutes**

***A motion was made by Representative Bartels, seconded by Senator Kolbeck, to approve the minutes of the Wednesday, May 22, 2019, Interim Joint Committee on Appropriations meeting. Motion prevailed on a voice vote.***

### **Introduction of New Staff**

Ms. Tamara Darnall, Chief Fiscal & Program Analyst, introduced Mr. Mitchell Close, Ms. Jennifer Geuther, and Ms. Sakura Rohleder as the new Fiscal and Program Analysts in LRC.

### **Certify the Proration of FY2019 Interest Earnings**

**Ms. Liza Clark, Commissioner, Bureau of Finance and Management, and Ms. Darcy McGuigan, Deputy Director, Bureau of Finance and Management (BFM), presented the proration of the FY2019 interest report for approval ([Document #1](#)). The BFM is required by statute to have the proration of interest earnings certified by the JCA on an annual basis.**

***A motion was made by Representative Karr, seconded by Senator Partridge, to approve and certify the recommended interest proration designations as participating and nonparticipating as presented by the Bureau of Finance and Management. The motion prevailed on a roll call vote with 14 voting AYE and 4 EXCUSED. Voting AYE: Greenfield, Kolbeck, Maher, Partridge, Sutton, White, Bartels, Gross, Howard, Hunhoff, Koth, Post, Karr, and Wiik. EXCUSED: Cronin, Nesiba, Peterson, and Saba.***

## FY2019 Year-End Report

**Ms. Liza Clark, Commissioner, BFM, and Jim Terwilliger, Secretary, Department of Revenue**, presented the FY2019 Year End Summary ([Document #2](#)). Mr. Terwilliger reported \$19,354,553 is the cash surplus for FY2019 and that amount is obligated to the budget reserve fund. Total general fund revenue for FY2019 is \$1,673,943,697. Sales and use taxes comprise 61% of those revenues. Page 4 of the report lists all the receipts for FY2019, and page 6 of the report compares the FY2019 receipts with the FY2018 receipts. There is a 3.59% increase in the total receipts from FY2018 to FY2019. Mr. Terwilliger said the growth rate is lower than was expected.

Ms. Clark explained the FY2019 agency reversions totaling \$17,319,221 or 1.1% of the agency fund budget. The reversions by agency are listed on page 7 of the year-end summary. In response to a question, Ms. Clark said there is not a goal of a certain percentage to be reverted; the goal is to make sure all agencies have enough money to pay their bills.

## Update on 2020 Revenue Projection

**Mr. Jim Terwilliger, Secretary, Department of Revenue**, presented BFM's FY2020 Revenue Projections ([Document #3](#)). The BFM interim estimate is \$8,212,390 less than the revenue projection adopted in February, or a decrease of .48%.

**Mr. Jeff Mehlhaff, Senior Fiscal and Program Analyst, LRC**, presented LRC's FY2020 Revenue Projections ([Document #4](#)). The LRC interim estimate is \$1,460,915 higher than the projection adopted in February, or an increase of .09%.

## University Center Letter of Intent (LOI) Response

**Mr. Jeff Mehlhaff, Senior Fiscal and Program Analyst, LRC**, presented a brief overview of the document submitted in response to the University Center LOI ([Document #5](#)).

**Dr. Sheila Gestring, President, University of South Dakota**, said the three universities working with the changes to the University Center in Sioux Falls are proposing a separate budget unit be created in the central office for the University Center.

**Dr. Paul Beran, Executive Director and CEO, SD Board of Regents (BOR)**, responded to questions from Senator Greenfield regarding the changes being made to the University Centers. Dr. Beran said the University of South Dakota (USD), South Dakota State University (SDSU), and Dakota State University (DSU) were asked to develop something for the University Center in Sioux Falls. USD was assigned to take the lead for this work group. The BOR felt the center needed a new focus, not about changing the mission but rather reaching out to people in Sioux Falls so they feel a part of the University Center. The suggestion from the work group is to have the center become modeled on a community college design. The decision was made to call it the Community College of South Dakota in order to reach the people who will be most interested. This is a restatement of what is already done and what will continue to be done.

Dr. Beran said the Huron Community Campus works with Northern State University (NSU) and uses funding from the Huron University Foundation, which is a private organization. This partnership has been in place for about nine years.

Senator White said Huron and the surrounding area are very proud of the Huron Community Campus. Interest dollars are used to pay for students to attend the community campus. NSU is the closest university in proximity and they work closely with the community campus, but the campus does work with other universities in certain programs. The City of Huron pays the expenses of the facility and this has proven worthwhile. The community is very grateful to the BOR and the universities for working with the campus students.

Dr. Beran said the University Center in Rapid City is being run by Black Hills State University (BHSU). The fact there is only one partner with this center means the set up and bookkeeping is much simpler than the Sioux Falls center.

Representative Koth said it took a number of years to accept the failure of the University Center in Sioux Falls. Representative Koth asked if the failure was due to the narrow focus and how and when will it be known if the new concept is working.

Dr. Gestring said at one time the center was most convenient for students, but the expansion of online education made the internet more convenient, and the center did not react quickly enough to the rise in internet students. Dr. Gestring said the initial set of metrics for the Community College of Sioux Falls are included in the report sent in response to the LOI.

**Dr. Carmen Simone, Executive Director, University Center Sioux Falls**, created the metrics for the Community College and said these are baseline metrics, a starting point. The breakdowns are by institution and Dr. Simone does not have the authority over the three universities to do complete breakouts. Dr. Simone said the University Center is also looking at some non-credit efforts such as training sessions for businesses. Dr. Gestring said the numbers are based on history and trends and now each university will have to say what they will contribute.

**Dr. Barry Dunn, President, South Dakota State University**, said all three university presidents are supportive of the plans for the Community College of South Dakota and the presidents have worked hard on the MOU.

***A motion was made by Representative Bartels, seconded by Senator White, to modify the letter of intent regarding university center operations to allow the report included in the July 1, 2019, Board of Regents' response be sufficient regarding the requirement for a new budget unit for the university centers and that the Board of Regents be required to submit an annual report with historical and current year projections regarding operations and metrics of the university centers. The motion prevailed on a roll call vote with 12 voting AYE, 1 voting NAY, and 5 EXCUSED. Voting AYE: Greenfield, Kolbeck, Partridge, Sutton, White, Bartels, Hunhoff, Koth, Peterson, Post, Karr, and Wiik. Voting NAY: Maher. EXCUSED: Cronin, Nesiba, Gross, Howard, and Saba.***

### **Reinvestment Payment Program**

**Ms. Cassie Stoeser, Finance Director, Governor's Office of Economic Development (GOED)**, presented information on the Reinvestment Payment Program dating back to 2013 ([Document #6](#)). The program was created in 2013 through Building South Dakota. Prior to 2013, the Department of Revenue would give tax refunds to developers who met certain criteria. The reinvestment program took the basics of the refund program and added some features. The Board of Economic Development makes the decisions and has oversight regarding the program.

Ms. Stoeser said the qualifications for this program are defined in statute ([SDCL 1-16G-56](#)). The project costs must exceed \$20 million or upgrades must exceed \$2 million. The company must receive the grant agreement in writing and construction must begin within six months and be completed within three years, but a one year extension can be requested. Once the project is completed, an affidavit is filed with GOED and must include a statement if the funds were transferred and to whom and if the project was an expansion project and would not have been completed without these funds. Document #6 lists the projects that have received these funds.

Representative Bartels said the money is paid out when the project is completed, and there should be revenue projections to include when the funds will be paid out. An estimated completion date would be good information to add to the report.

### **Interim State Facility Tours**

The committee discussed possible facilities to be visited during the East River and West River JCA facility tours. The East River tours will be held August 19-20 and the West River tours will be November 4-6.

### **Adjourn**

***A motion was made by Senator White, seconded by Representative Bartels, that the Joint Committee on Appropriations be adjourned. Motion prevailed on a voice vote.***

The Committee adjourned at 3:15 p.m.