



DEPARTMENT OF EXECUTIVE MANAGEMENT
BUREAU OF FINANCE AND MANAGEMENT

M E M O R A N D U M

TO: Interim Joint Committee on Appropriations
State of South Dakota

FROM: Jim Terwilliger, Commissioner *Jim Terwilliger*
Bureau of Finance and Management

SUBJECT: Proration of Investment Income

DATE: July 24, 2023

SDCL 4-5-30 states the Appropriations Committee of the Legislature, upon recommendations of the Commissioner of the Bureau of Finance and Management, shall certify funds which are to participate in the interest income of the pooled investments.

In accordance with the provisions of SDCL 4-5-30, Attachment 1 of this memo contains the Bureau of Finance and Management's recommendations for the designation of new or changed accounting system cash centers as either "participating" or "nonparticipating" in the proration of investment income earned in FY2023. Classification of cash centers is as follows:

- P - Participating (the earnings attributable to the cash center are returned to the cash center).
- NP - Nonparticipating (the earnings attributable to the cash center are deposited in the State General Fund).

Sections 1 and 2 of Attachment 1 are the list of recommendations for the new cash centers created in the state's accounting system in FY2023, or cash centers that were changed from the previous fiscal year proration process.

The appendices following Attachment 1 are provided for your information. They highlight the statutory authority for the proration process (Appendix A), the general guidelines used by the Bureau of Finance and Management in the designation of funds (Appendix B), and the estimated interest income distribution to the State General Fund based on unaudited balances (Appendix C).

We request you certify the participation status of the accounting system cash centers listed in sections 1 and 2 of Attachment 1.

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Section 1--New cash centers created in the state's accounting system in FY2023.

The cash centers below meet the criteria for participating in Appendix B.

Company	Cash Center	P/NP	Cash Center Description	Agency
3075	030000080240	P	RSRF	DANR
3079	0800000662	P	OPIOD SETTLEMENT FUNDS	DSS
3149	173100063802	P	EAGLES DONATIONS	DVA
6518	010540054911	P	STA-2023 SB35 TRANSFER	STA

The cash centers below do not meet the criteria for participating in Appendix B.

Company	Cash Center	P/NP	Cash Center Description	Agency
2000	Multiple	NP	COVID-19 STIMULUS FUNDS	Multiple
3050	0300000021	NP	PESTCIDE PERFORMANCE GRANT	DANR
3050	030000026171	NP	PPG PESTICIDE	DANR
3050	030000026179	NP	PPG	DANR
3050	030000051340	NP	DAIRY	DANR
3050	030000051360	NP	DAIRY	DANR
3050	0300000788	NP	OP CERT-DO NOT USE	DANR
3056	1432000	NP	STATE FIRE SUPPRESSION FUND	DPS
3075	030000074425	NP	MINE RECLAMATION LIQUID GOLD	DANR
3138	1200000881CF	NP	JAG - COMMUNITY FOUNDATION	DOE
3144	143200025489	NP	DSR4664 HMGP JUNE 2022 SEVERE STORMS	DPS
3144	143200025491	NP	DSR4689 HMGP DEC 2022 WINTER STORMS	DPS
3144	143200025389	NP	DSR4664 PA JUNE 2022 SEVERE STORMS	DPS
3144	143200025390	NP	EMAC - KENTUCKY FLOODING	DPS
3144	143200025391	NP	WINTER 2022 STORMS	DPS
3144	143200025392	NP	DSR4718 PA APRIL 2023 FLOODING	DPS
3144	143200025488	NP	DR4656 HMGP MAY 2022 SEVERE STORMS	DPS

Section 2—Cash centers that were involved in the prior year proration for which a designation change is recommended for FY2023.

Company	Cash Center	P/NP	Cash Center Description	Agency
3050	0312000021	NP	CLOSED OUT PPG GRANT	DANR
3050	0300000001	NP	OTHER INDIRECT COST	DANR
3061	0322	P	CONSERVATION DISTRICT SPEC REVENUE FUND	DANR
3079	0800000748	NP	JANSSEN PHARMACEUTICALS SETTLEMENT	DSS

SDCL 4-5-30

The state investment officer, utilizing the facilities of the state budgetary accounting system, shall pool cash accounts within the funds enumerated in § 4-5-23. The Appropriations Committee of the Legislature, upon recommendations from the commissioner of finance and management, shall certify those funds which are to participate in the interest income of the pooled investments. The state investment officer shall credit the gain or interest due as a result of investments made pursuant to § 4-5-29 on a pro rata basis to the participating funds in the same ratio as the average daily cash balance of each fund bears to the total average cash balance of all funds.

If requested by the state investment officer during each fiscal year, the state treasurer shall transfer money from the South Dakota retirement fund, health care trust fund, education enhancement trust fund, the trust fund derived from the sale of state cement enterprises, the general fund portion of the pooled income account for the permanent school and other educational fund provided for in S.D. Const., Art. VIII, and any other specific fund approved by the Bureau of Finance and Management, other than the state pooled fund, to the investment council expense account in an amount not to exceed the ratio of the average assets in each fund for the previous fiscal year to the total average assets managed by the investment council, other than the state pooled fund, for the previous fiscal year multiplied by the difference between the budget of the investment council for each fiscal year and the total of the current fiscal year beginning cash balance in the investment council expense account plus two hundredths of a percent of the prior fiscal year's average assets in the state pooled fund. If requested by the state investment officer during each fiscal year, the state treasurer shall transfer money from the pooled income account to the investment council expense account in an amount not to exceed two hundredths of a percent of the prior fiscal year's average assets in the state pooled fund. The state investment officer may make multiple transfer requests during the fiscal year, with each request being proportionate among the funds, provided that the total transfers do not exceed the amounts provided by this section.

APPENDIX B

General guidelines used by the Bureau of Finance and Management to designate participating funds. State law and federal grant guidance take precedence:

- 1) State General Fund
- 2) Other Funds that are:
 - a) Generated by dedicated revenue;
 - b) Restricted to a closed system to which additional state appropriations (general funds) are not available; and,
 - c) Not received as payment or appropriations from one entity to another for the cost of specific services or products.
- 3) Federal Funds that are matched with or are used in conjunction with participating funds other than the State General Fund.
- 4) Clearing account funds that are ultimately deposited in a participating fund other than the State General Fund.
- 5) Trust funds that are holding assets upon which interest is paid when the assets are claimed or returned.

Receipted Income for FY 2023 - Unaudited

Total Income Received (Net of CFF Fee)	\$76,172,463.33	
Undistributed Net Investment Income from Prior Fiscal Year	-\$7,064,410.99	
Net Income for Current Fiscal Year	<u>\$69,108,052.34</u>	% to General Fund
Undistributed Due to General Fund for Prior Fiscal Year	\$4,320,403.02	61.1573%
Current Year Receipted Interest Income to General Fund	\$44,999,846.50	65.1152%
Total General Fund Income for Current Fiscal Year	<u>\$49,320,249.52</u>	
Less fees for S&PL	-\$363,516.01	
Total Adjusted General Fund Income for Current Fiscal Year	<u>\$48,956,733.51</u>	