



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 26, 2024

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 FY2024. 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 FY2024, 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 FY2024.

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

<u>Company</u>	<u>Cash Center</u>	<u>P/NP</u>	<u>Cash Center Description</u>	<u>Agency</u>
3022	1000000180LA	P	LATI GRANT	DLR
3022	1000000610	P	APPRAISER FUND	DLR
3022	1000000855	P	APPRAISER MANAGEMENT COMPANY	DLR
3056	1431000001	P	WILDLAND FIRE INDIRECT COST FUND	DPS
3056	143100066501	P	WLF REVOLVING FUND	DPS
3138	1200000881TA	P	TEACHER APPRENTICESHIP	DOE
3149	173100063803	P	FLAG DONATIONS	DVA
3184	1461000882	P	811 ONE-CALL BOARD	DPS
6503	092100066701	P	PHYSICAL THERAPY BOARD	DOH

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

<u>Company</u>	<u>Cash Center</u>	<u>P/NP</u>	<u>Cash Center Description</u>	<u>Agency</u>
2000	Multiple	NP	COVID-19 STIMULUS FUNDS	Multiple
3022	1000000180GD	NP	GED FEES	DLR
3022	1000000180MX	NP	DLR ADMIN FUND	DLR
3023	182600051905	NP	CORRECTIONAL HEALTH FUTURE FUNDS	DOC
3056	143100066502	NP	WLF REVOLVING FUND	DPS
3125	0620000039	NP	DJ AQUATICS EDUCATION	GFP
3125	0620000046	NP	USFWS HUNTER EDUCATION GRANT	GFP
3144	143200025393	NP	NG SUPPORT JULY 3RD - JULY 5TH 2023	DPS
3144	143200025394	NP	EMAC-TEXAS BORDER PATROL 2023	DPS
3144	143200025395	NP	TX EMAC-OPERATION LONE STAR APR-JUN24	DPS
3144	143200025396	NP	EMAC-NEBRASKA EMAC MISSION JAN24	DPS
3144	143200025397	NP	NG PROTEST SIOUX FALLS APRIL 2024	DPS
3144	143200025492	NP	DSR4718 HMGP APR 2023 FLOODING	DPS
6503	0920000533PD	NP	OPIOID SETTLEMENT FUNDS - PDMP	DOH
9011	1000000180CL	NP	CAREER READY FUNDS	DLR
9011	1000000180FF	NP	GEOD FUNDS	DLR
9011	1000000180NC	NP	NCRC FUNDS	DLR
9070	1823000	NP	INCARCERATION CONSTRUCTION FUND	DOC
9070	182300087503	NP	INCARCERATION CONSTRUCTION FUND	DOC

Section 2—Cash centers that were involved in the prior year proration for which a designation change is recommended for FY2024.

<u>Company</u>	<u>Cash Center</u>	<u>P/NP</u>	<u>Cash Center Description</u>	<u>Agency</u>
3184	1421000715	NP	MONITOR FUND	DPS
3184	142100085801	NP	SDHP OTHER FUNDS - PSD	DPS
8303	2700000556	NP	HELMSLEY CHARITABLE TRUST	UJS

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.

APPENDIX C

Receipted Income for FY 2024 - Unaudited

Total Income Received (Net of CFF Fee)	\$148,011,821.33	
Undistributed Net Investment Income from Prior Fiscal Year	-\$23,921,771.16	
Net Income for Current Fiscal Year	<u>\$124,090,050.17</u>	
Undistributed Due to General Fund for Prior Fiscal Year	\$15,577,905.22	65.1202%
Current Year Receipted Interest Income to General Fund	\$80,696,380.08	65.0305%
Total General Fund Income for Current Fiscal Year	<u>\$96,274,285.30</u>	
Less fees for S&PL	-\$391,190.31	
Total Adjusted General Fund Income for Current Fiscal Year	<u>\$95,883,094.99</u>	