



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 18, 2025

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 "non-participating" in the proration of investment income earned in FY2025. Classification of cash centers is as follows:

- P - Participating (the earnings attributable to the cash center are returned to the cash center).
- NP - Non-participating (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 FY2025, 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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ATTACHMENT 1

Section 1 - New cash centers created in the state's accounting system in FY2025.

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>
3000	2900000825	P	DIGITAL EVIDENCE	ATG
3000	2900000J01	P	MEDICAID FRAUD - OTHER	ATG
3035	012000060606	P	HEALTH INSURANCE	BHRA
3035	012000060607	P	FLEXIBLE BENEFITS	BHRA
3035	012000060608	P	LIFE INSURANCE	BHRA
3035	012000060609	P	DACOTAH CEMENT LIFE COVERAGE	BHRA
3075	030000074438	P	MINE RECLAMATION-SUNDE	DANR
3075	030000074439	P	HOVDE GRAVEL CONSTRUCTION CD 1 & 2	DANR
3075	030000074440	P	SCHIEFER/JOHNSON	DANR
3149	173100063804	P	CHARLES KONTZ INHERITANCE	DVA
6009	0120000627	P	HUMAN RESOURCES	BHRA
6009	012000063001	P	TRAINING	BHRA
6013	011500067616	P	SERIES 2025A BOR PROJECT FUND	SDBA
6017	0120000604	P	STATE EMPL WORKERS COMPENSATION FUND	BHRA
6017	012000060401	P	STATE EMPL WORKERS COMPENSATION FUND	BHRA
8000	0120611670	P	OVER 65 SUPPLEMENT	BHRA
8301	0120000672	P	STATE WORKERS UNEMPLOYMENT COMPENSATION	BHRA
8303	2700000543	P	MACARTHUR FOUNDATION GRANT FUND	UJS
8324	3202000636	P	TRUST FUND FOR UNCLAIMED PROPERTY	OST
9070	182200087502	P	INCARCERATION CONSTRUCTION FUND	DOC

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
2021	1811000191	NP	SCAAP (ALIEN) GRANT	DOC
3056	143100066503	NP	WLF REVOLVING FUND	DPS
3138	1200000881GD	NP	GED CASH	DOE
3138	1200000881NR	NP	NATL CAREER READINESS CERT	DOE
3144	143200025300	NP	MCCOOK LAKE JUNE24 FLOODING	DPS
3144	143200025301	NP	EMAC COUNTER DRUG MISSION	DPS
3144	143200025398	NP	4807PA JUNE 2024 FLOODING	DPS
3144	143200025399	NP	4807IA JUNE 2024 FLOODING	DPS
3144	143200025498	NP	4807HMGP JUNE 2024 STORMS/FLOODING	DPS

ATTACHMENT 1 (continued)

Section 2 - Cash centers that were involved in the prior year proration for which a designation change is recommended for FY2025.

<u>Company</u>	<u>Cash Center</u>	<u>P/NP</u>	<u>Cash Center Description</u>	<u>Agency</u>
3125	062000004103	NP	USCG - BOATING SAFETY-EDUCATION	GFP
3138	1200000881TA	NP	TEACHER APPRENTICESHIP	DOE
6013	011500067610	P	SD PUBLIC BUILDINGS PREPAYMENT FUND	SDBA
9070	1811000875	P	INCARCERATION CONSTRUCTION FUND	DOC
9070	1823000	P	INCARCERATION CONSTRUCTION FUND	DOC
9070	182300087503	P	INCARCERATION CONSTRUCTION FUND	DOC

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 2025 - Unaudited

Total Income Received (Net of CFF Fee)	\$150,606,277.96	
Undistributed Net Investment Income from Prior Fiscal Year	-\$21,423,847.70	
Net Income for Current Fiscal Year	<u>\$129,182,430.26</u>	% to General Fund
Undistributed Due to General Fund for Prior Fiscal Year	\$11,417,668.24	53.2942%
Current Year Receipted Interest Income to General Fund	\$60,706,570.27	46.9929%
Total General Fund Income for Current Fiscal Year	<u>\$72,124,238.51</u>	
Less fees for S&PL	-\$395,970.09	
Total Adjusted General Fund Income for Current Fiscal Year	<u>\$71,728,268.42</u>	