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 16, 2026

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 FY2026. 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 FY2026, 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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Interim Appropriations Committee
July 16, 2026

ATTACHMENT 1

Section 1 - New cash centers created in the state's accounting system in FY2026.

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

Company	Cash Center	P / NP	Cash Center Description	Agency
3007	012500061503	P	RESTORATION OF THE CAPITOL BUILDING - SB 119	BHRA
3079	0800000119	P	DRUG AND ALCOHOL SERVICE INFORMATION SYSTEM (DASIS)	DSS
3079	0800000230	P	BEHAVIORAL HEALTH SERVICE INFORMATION SYSTEM (BHSIS)	DSS
3076	0200000668	P	NICOTINE ENFORCEMENT FUND - HB1220	DOR

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

Company	Cash Center	P / NP	Company/Center Description	Agency
2000	1920000E0301	NP	COVID RESPONSE NUTRITION	DHS
2000	0901000196C5	NP	PUBLIC HEALTH WORKFORCE & INFRASTRUCTURE	DOH
2000	0901000307ET	NP	EPIDEMIOLOGY LABORATORY CAPACITY	DOH
2000	0903000307D3	NP	EPIDEMIOLOGY LABORATORY CAPACITY - COVID DATA MODERNIZATION	DOH
2000	0904000113T2	NP	WOMEN, INFANTS, AND CHILDRENS INFRASTRUCTURE (ARPA)	DOH
2007	3101000094	NP	SECRETARY OF STATE FEDERAL FUNDS	SOS
2021	1822000213JA	NP	ADULT EDUCATION AND LITERACY GRANT	DOC
2021	1823000K0303	NP	SPECIAL EDUCATION	DOC
2021	1831000J0230	NP	JUVENILE (TITLE XIX) MEDICAL EXPENSES	DOC
3056	0310000728	NP	AGRICULTURE REVOLVING FUND	DANR
3056	0312000728	NP	AGRICULTURE REVOLVING FUND	DANR
3144	143200025302	NP	OPERATION PRAIRIE THUNDER	DPS
3144	143200025303	NP	DECEMBER 17/18 2025 WIND STORM	DPS
3144	143200025304	NP	EMERGENCY MANAGEMENT ASSISTANCE - BLACK HILLS PROTEST MAY/26	DPS
3184	142100085802	NP	DEPT OF PUBLIC SAFETY	DPS
3184	142100085803	NP	SOUTH DAKOTA HIGHWAY PATROL - 287(G) AGREEMENT	DPS
3184	1441000235	NP	DEPT OF PUBLIC SAFETY	DPS
9011	1000000180NG	NP	NATIONAL GOVERNORS ASSOCIATION GRANT	DLR
9011	1000000180AI	NP	FUTURE FUND AI GRANT	DLR

Section 2 - Cash centers that were involved in the prior year proration for which a designation change is recommended for FY2026.

Company	Cash Center	P / NP	Company/Center Description	Agency
3183	1000000605	NP	SECURITIES OPERATING FUND	DLR
6011	0133000637	NP	DIGITAL DAKOTA NETWORK	BHRA
8303	2700000543	NP	MACARTHUR FOUNDATION GRANT FUND	UJS

APPENDIX A

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 <u>Participating "P"</u> 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 2026 - Unaudited

Total Income Received (Net of CFF Fee)	$136,756,660.01	
Undistributed Net Investment Income from Prior Fiscal Year	-$22,580,149.20	
Net Income for Current Fiscal Year	**$114,176,510.81**	
		% to General Fund
Undistributed Due to General Fund for Prior Fiscal Year	$10,658,123.96	**47.2013%**
Current Year Receipted Interest Income to General Fund	$42,696,877.10	**37.3955%**
Total General Fund Income for Current Fiscal Year	**$53,355,001.06**	
Less fees for S&PL	-$331,207.43	
Total Adjusted General Fund Income for Current Fiscal Year	**$53,023,793.63**	