



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 21, 2022

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 FY2022. 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 FY2022, 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 (Revised as of July 26, 2022)

Section 1--New cash centers created in the state's accounting system in FY2022.

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

Company	Cash Center	P/NP	Cash Center Description	6/30/22 ADCB
2000	310100010330	P	REQUIREMENT PAYMENT	12,109.25
2000	1110000286	P	ROAD / BRIDGES-COVID	10,990,971.27
2000	1111000124	P	FEDERAL STIMULUS-COVID19	(2,285,683.23)
2000	1120000286	P	ROADS / BRIDGES-COVID	(10,990,971.27)
3050	0300000759	P	HEMP	7,068.49
3050	0310000759	P	HEMP	2,364.76
3149	1731000255	P	CEMETERY GRANT 64.005	378,282.28
3149	1731000638	P	VETERAN CEMETERY DONATIONS	14,155.79
3149	173100063801	P	DONATION ROAD CONSTRUCTION	228,767.12
3149	1731000647	P	VETERANS CEMETERY OPERATIONS	115,635.27
3149	173101	P	DONATIONS	1,680.12
6013	011500067615	P	SER 2022A BOR PROJECT FUND	3,286,993.73
6502	1441000600	P	RADIO COMMUNICATIONS FUND	296,298.71
6503	1037000699BA	P	REAL ESTATE/COSMO/BARBER	(29,338.18)

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

Company	Cash Center	P/NP	Cash Center Description	6/30/22 ADCB
2000	Various	NP	COVID-19 STIMULUS FUNDS	429,150,487.19
3125	062000033801	NP	CULTURAL RESOURCE	(36,994.91)
3138	1200000881TS	NP	TRIBAL SCHOOLS	4,183.96
3144	143200025387	NP	GOVERNOR FARRAR-S FUNERAL	(1,991.57)
3144	143200025388	NP	MAY 2022 SEVERE STORMS	(11,306.79)
3144	143200025481	NP	4527 HMGP-COVID-19 RESPONSE	(692.19)
3144	143200025485	NP	5384 HMGP-POST FIRE	(1,547.64)
3144	143200025486	NP	DR5418 HMGP-PF FMAG DECS 10/1/21-9/30/22	(271.58)
3195	0127000659	NP	OBLIGATION RECOVERY CENTER (ORC)	15,972.75
8000	1232410770	NP	COMMODITY PROCESSING	26,674.60
9070	1811010875	NP	REAL PROP ACQ & CAPITAL IMPROV FUND-SDSD	182,361.08

Section 2—Cash centers that were involved in the prior year proration for which a designation change is recommended for FY2022.

Company	Cash Center	P/NP	Cash Center Description	6/30/22 ADCB
3056	0331000	P	WLF REVOLVING FUND	94,606.21
3056	033100002813	P	GENERAL SERVICE ADMINISTRATION	13,161.26
3056	033100002884	P	SD NATIONAL GUARD - WEST CAMP RAPID FUEL	(2,986.55)
3056	1431000	P	WLF REVOLVING FUND	316,794.52
3056	143100002705	P	CFA-RURAL COMMUNITY FIRE PROTECTION	(20,585.35)
3056	143100002751	P	USFS '14 CPG SFA PREVENTION FUNDS	(560.49)
3056	143100002813	P	GENERAL SERVICE ADMINISTRATION	23,420.85
3056	143100002834	P	USFS - CAFA GY17 HAZARDOUS FUELS	580.82
3056	143100002884	P	SD NATIONAL GUARD - WEST CAMP RAPID FUEL	6,386.00
3056	143100002887	P	USFS FORESTRY ASSISTANCE - OTHER	(72,645.89)

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:

- 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 2022 - Unaudited

Total Income Received (Net of CFF Fee)	\$22,854,849.47	
Undistributed Net Investment Income from Prior Fiscal Year	-\$5,499,457.40	
Net Income for Current Fiscal Year	<u>\$17,355,392.07</u>	% to General Fund
Undistributed Due to General Fund for Prior Fiscal Year	\$3,363,924.60	61.1683%
Current Year Receipted Interest Income to General Fund	\$10,602,790.83	61.0922%
Total General Fund Income for Current Fiscal Year	<u>\$13,966,715.43</u>	
Less fees for S&PL	-\$248,252.10	
Total Adjusted General Fund Income for Current Fiscal Year	<u>\$13,718,463.33</u>	