



MINUTES

Executive Board

Three hundred twenty-sixth Meeting
Monday
August 8, 2005

LCR 1 & 2
State Capitol Building
Pierre, South Dakota

The three hundred twenty-sixth meeting of the Legislative Research Council Executive Board was called to order by Chair Senator Ed Olson at 9:00 a.m. (CT), August 8, 2005, in LCR 1 and 2 of the State Capitol, Pierre, South Dakota.

A quorum was determined with the following members answering the roll call: Senators Mike Broderick, William Earley, Bob Gray, Ed Olson, and Jim Peterson; and Representatives H. Paul Dennert, Pat Haley, Phyllis Heineman, Jean Hunhoff, Barry Jensen, Matthew Michels, and Gordon Pederson. Senators Gil Koetzle and Lee Schoenbeck; and Representative J.E. "Jim" Putnam were excused.

Staff members present included James Fry, Director; and Teri Retrum, Senior Legislative Secretary.

(NOTE: For sake of continuity, the following minutes are not necessarily in chronological order. Also, all referenced documents are on file with the Master Minutes.)

(Clarification: Voice votes that prevail with all members present voting "aye" will carry the disposition language "prevailed unanimously." Voice votes that prevail with a majority of all members present voting "aye" will carry the disposition language "prevailed." Voice votes that prevail without all members present voting "aye" will list those members casting "nay" votes if so requested by the dissenting voter.)

Approval of Minutes

SENATOR BRODERICK MOVED, SECONDED BY SENATOR EARLEY, THAT THE EXECUTIVE BOARD APPROVE THE MINUTES OF THE JUNE 16, 2005, MEETING, AS PRINTED AND MAILED. MOTION PREVAILED UNANIMOUSLY ON A VOICE VOTE.

Approval of Agenda

REPRESENTATIVE PEDERSON MOVED, SECONDED BY REPRESENTATIVE MICHELS, THAT THE BOARD ADOPT THE AGENDA. MOTION PREVAILED UNANIMOUSLY ON A VOICE VOTE.

Investment Council Report and Budget Request

Mr. Larry Ness, Vice Chair, South Dakota Investment Council (SDIC), and **Mr. Matt Clark**, State Investment Officer, distributed a copy of their presentation (**Document #1**). Mr. Ness

reported that the Investment Council currently has twenty-four employees. He said that the Council has staff positions for a total of twenty-six, and it is requesting two additional staff positions to fill out teams in distressed debt and high yield areas for a total of twenty-eight positions. In discussing a graph showing the South Dakota Investment Council's Growth in Assets to June 30, 2005, Mr. Ness said that the South Dakota Retirement System (SDRS) accounts for the largest part of that growth.

Chair Ed Olson said that it would be helpful to him to have SDRS broken out into percentage of payments versus contributions. **Mr. Wade Hubbard**, SDRS, said that he would provide that information.

Senator William Earley questioned whether some of the growth is due to an inflow of funds. Mr. Clark responded affirmatively. Mr. Clark said that SDRS is a mature fund and is in a net negative stage; however, he said that SDRS is not a troubled fund.

Representative Matthew Michels said that an increase in the match in 1999 also contributed to the net negative stage. Mr. Clark affirmed that comment. Mr. Clark said that the Council has long-term projections based on the individual asset category of 7-1/2 percent.

Senator Mike Broderick asked for more information on how SDRS will continue to be impacted negatively due to retirement and how many years the system will be negative due to baby boomers withdrawing their benefits.

Mr. Clark said that the net withdrawal probably will be on-going due to continuous retirement of the baby boomers. He also said that that continuation is a natural state in a mature retirement fund.

Mr. Clark discussed the dollar and percentage impact of the investment performance and stated that SDRS earned 13.34% (\$727 million) in FY 2005, which he said is phenomenal. Mr. Clark said that the Council knows that this type of percentage will not be the case each year.

Mr. Clark reviewed the following:

- A total fund comparison of SDRS;
- Potential excess earnings—historic versus average returns;
- Realistic expectations for the future;
- A summary of trust fund value and asset allocation;
- Low management fees (internal asset cost of \$0.89);
- A summary of the SDIC long-term plan; and
- FY 2007 SDIC budget request (largest amount is for compensation increase; another major increase is for travel expenses).

Responding to Senator Broderick, Mr. Clark said that distressed debt is bonds that are not investment grade—companies that may be going into bankruptcy—and is the riskiest form of

debt. He said that 2.9 percent of SDIC or \$182,000,000 is in that type of investment strategy.

REPRESENTATIVE MICHELS MOVED, SECONDED BY REPRESENTATIVE PEDERSON, THAT THE EXECUTIVE BOARD ACCEPT THE REPORT AND BUDGET REQUEST FROM THE SOUTH DAKOTA INVESTMENT COUNCIL FOR SUBMISSION TO THE SPECIAL COMMITTEE ON APPROPRIATIONS. The motion prevailed unanimously on a roll call vote with 12 voting AYE, 0 voting NAY, and 3 EXCUSED. Those voting AYE: Broderick, Earley, Gray, Jim Peterson, Dennert, Haley, Heineman, Hunhoff, Jensen, Michels, Gordon Pederson, and Olson. Those voting NAY: 0. Those EXCUSED: Koetzle, Schoenbeck, and Putnam.

The Executive Board recessed at 11:00 a.m. and reconvened at 11:12 a.m.

Director's Report

Redistricting Update

At the request of the Board, **LRC Director Jim Fry** said that he sent to all legislators the Resolution, which was adopted by the Board at its July 11, 2005, emergency meeting, to reaffirm the Legislature's position of support of the Redistricting Plan of 2001 as adopted by the Legislature.

Use of Legislative Rooms

Mr. Fry directed the Board's attention to an application for use of legislative chambers completed by Ms. Christie Johnson, Executive Director, School Administrators of South Dakota (SASD) for its Delegate Assembly on November 16, 2005. Mr. Fry said that the organization has remitted its \$500 deposit and commented that the SASD has used the chambers in the past and has taken good care of the facilities and left them in excellent condition.

REPRESENTATIVE PEDERSON MOVED, SECONDED BY REPRESENTATIVE JENSEN, THAT THE EXECUTIVE BOARD APPROVE USE OF THE LEGISLATIVE CHAMBERS BY SASD FOR ITS DELEGATE ASSEMBLY ON NOVEMBER 16, 2005. The motion prevailed unanimously on a voice vote.

Voting Machine for the House of Representatives

Mr. Fry reported that LRC staff and **Ms. Karen Gerdes**, Chief Clerk of the House, met with representatives from International Roll Call to discuss the proposed voting machine for the House of Representatives. He said that the voting machine from International Roll Call is a proven system and has been used successfully in about forty states. Mr. Fry stated that the machine will be secure and will be useful for a long time; installation should be completed for the 2006 Legislative Session.

Fourth Floor Meeting Space

Mr. Fry discussed his meeting with the Bureau of Administration (BOA) regarding a fourth floor high-tech meeting room for use by the Legislature and for other entities when the Legislature is not in session and for other legislative purposes. He said that the Bureau does not believe that the option would be financially feasible and told him that it is unlikely that the request will be approved. Mr. Fry said that **Mr. Paul Kinsman**, Commissioner, BOA, told him that he will be sending a formal letter to the Board regarding its request.

Responding to Senator Earley, Mr. Fry said that, as far as he knows, the Bureau of Personnel will be staying in its current space on fourth floor. He said that congestion problems and security were the main concerns expressed by the Legislature in requesting the additional space.

Representative Phyllis Heineman asked if there is anyone who could do a study on the feasibility of such a space. She said that the small DDN space in the basement of the Capitol is not especially conducive for conducting a remote meeting. Mr. Fry responded that probably an architectural firm would be able to provide some information on the possibilities for meeting space on fourth floor.

After further brief remarks, the Executive Board agreed to pursue further discussion on its request for legislative space on fourth floor of the State Capitol after it receives the correspondence from Mr. Kinsman.

Appointees to the Streamlined Sales Tax Force

Mr. Fry said that the Executive Board needs to appoint two legislators to the governing board of the Streamlined Sales and Use Tax Agreement. He said that currently **Senators Royal J. "Mac" McCracken** and **Orville B. Smidt** and **Representatives H. Paul Dennert** and **Hal Wick** are serving as representatives to the Streamlined Sales and Use Tax Project. Chair Olson said that Senator McCracken has recommended that Senator Smidt continue to serve on the governing board and that Representative Wick expressed support for Representative Dennert to remain on the governing board.

REPRESENTATIVE MICHELS MOVED, SECONDED BY SENATOR EARLEY, THAT THE EXECUTIVE BOARD APPOINT SENATOR SMIDT TO SERVE AS A MEMBER OF THE STREAMLINED SALES AND USE TAX GOVERNING BOARD. The motion prevailed unanimously on a voice vote.

REPRESENTATIVE PEDERSON MOVED, SECONDED BY REPRESENTATIVE MICHELS, THAT THE EXECUTIVE BOARD APPOINT REPRESENTATIVE DENNERT TO SERVE AS A MEMBER OF THE STREAMLINED SALES AND USE TAX GOVERNING BOARD. The motion prevailed unanimously on a voice vote.

Legislative Research Council Budget Request

Mr. Fry said that most of the increase in the LRC budget reflects the additional expenses for a forty-day session. Mr. Fry requested permission to raise the reimbursement for bills to \$55

and journals to \$70 to cover expenses for those documents. He said that added janitorial costs, per diem increases for lodging, etc., resulted in some of the additional overall request; an increase in dues accounted for a 4.7 percent increase in intergovernmental fees. Mr. Fry stated that West Publishing's costs resulted in a lower fee for a cost savings of \$20,000, and LRC will revert \$86,760 to the State General Fund.

Representative Barry Jensen expressed concern about legislative travel and the process involved in selecting legislators to attend out-of-state meetings.

Representative Matthew Michels said that the President Pro Tempore of the Senate and the Speaker of the House of Representatives select the members to attend conferences. He said that the selection most commonly is based on whether a legislator is a chair or member of a committee or an alternate.

Chair Olson said that he views attendance at national conferences and other meetings to be an educational opportunity and suggested that leadership discuss this issue in an attempt to address some of Representative Jensen's concerns.

Senator Broderick said that he shares some of the concerns expressed by Representative Jensen. He commented that this is also a problem for other state agencies.

Representative Heineman said that somehow the benefit of attendance at meetings needs to be validated; there needs to be a way to let everyone know the value of such attendance.

Representative Jean Hunhoff suggested that legislators who are national committee members mentor other legislators so they can move up to becoming members and chairs of national committees.

Representative Jensen agreed that meetings are a great educational opportunity and said that he appreciated the Executive Board's consideration of the matter.

Senator Broderick asked why there is a negative balance in the intergovernmental cooperation portion of the budget. Mr. Fry responded that the number of legislators who are going to attend a meeting sometimes is not known until the final assignments are made. Due to that circumstance, Mr. Fry said that once in awhile money is taken from another area. Mr. Fry noted that it has been handled in this manner for many years.

Senator Broderick said that maybe the number of attendees should be reduced when this situation occurs.

REPRESENTATIVE PEDERSON MOVED, SECONDED BY REPRESENTATIVE HUNHOFF, THAT THE EXECUTIVE BOARD APPROVE A REIMBURSEMENT OF \$55 FOR BILLS AND A REIMBURSEMENT OF \$70 FOR JOURNALS. The motion prevailed unanimously on a voice vote.

REPRESENTATIVE PEDERSON MOVED, SECONDED BY REPRESENTATIVE DENNERT, THAT THE EXECUTIVE BOARD ACCEPT THE REPORT AND BUDGET REQUEST FROM THE LEGISLATIVE RESEARCH COUNCIL FOR SUBMISSION TO THE SPECIAL

COMMITTEE ON APPROPRIATIONS. The motion prevailed unanimously on a roll call vote with 12 voting AYE, 0 voting NAY, and 3 EXCUSED. Those voting AYE: Broderick, Earley, Gray, Jim Peterson, Dennert, Haley, Heineman, Hunhoff, Jensen, Michels, Gordon Pederson, and Olson. Those voting NAY: 0. Those EXCUSED: Koetzle, Schoenbeck, and Putnam.

The Executive Board recessed at 12:15 p.m. and reconvened at 1:30 p.m.

Department of Legislative Audit Budget Request

Mr. Martin Guindon, Auditor General, distributed copies of the FY 2007 budget request for the Department of Legislative Audit (**Document #3**). Mr. Guindon informed the Board that the triennial peer review of the Department of Legislative Audit once again received no comments of concern. He explained that Legislative Audit is requesting a net increase of \$69,348 in its FY 2007 budget. Mr. Guindon said that the largest increase is to replace all of the notebook computers in the department and to upgrade its networking infrastructure to Ethernet, which will update the department's technology and the reliability of that technology. To cover the increase in meal and lodging rates, Mr. Guindon said that the department is requesting an increase in its operating expenses for travel.

Responding to a question by Representative Pederson, Mr. Guindon said that the department will revert \$109,245 to the Sate General Fund.

REPRESENTATIVE PEDERSON MOVED, SECONDED BY SENATOR EARLEY, THAT THE EXECUTIVE BOARD ACCEPT THE REPORT AND BUDGET REQUEST FROM THE DEPARTMENT OF LEGISLATIVE AUDIT FOR SUBMISSION TO THE SPECIAL COMMITTEE ON APPROPRIATIONS. The motion prevailed unanimously on a roll call vote with 12 voting AYE, 0 voting NAY, and 3 EXCUSED. Those voting AYE: Broderick, Earley, Gray, Jim Peterson, Dennert, Haley, Heineman, Hunhoff, Jensen, Michels, Gordon Pederson, and Olson. Those voting NAY: 0. Those EXCUSED: Koetzle, Schoenbeck, and Putnam.

The Executive Board recessed at 1:45 p.m. and reconvened at 2:05 p.m.

Legislator's Back-to-School Program

Ms. Clare Charlson, LRC Senior Research Analyst, reviewed the Legislator's Back to School Program. Ms. Charlson said that in the past, the program was geared more toward high school students but, also, is now including more materials and information for grade school children. She said that she will be sending a letter to all superintendents informing them of the program, so legislators might be contacted by educators in their districts requesting information about the program. Ms. Charlson told the Board that she is available to help legislators with any questions and asked legislators to let her know in advance of a visit so that she can send them materials. She said that the program is an opportunity to broaden the students' knowledge of democracy and the importance of a representative government. Ms. Charlson also said that some of the materials that she can send to legislators are ideas for activities that the students can do to help them become more aware of their government. She requested that legislators tell her when they visit a school, even if

they do not request materials, so that she can include those visits in a report on the interest in the program.

Continued Discussion of Legislative Attendance at National Conferences and Other Meetings

At this time, Representative Heineman distributed copies of a suggested form for legislators to complete as a legislative follow-up for conferences which they attend (**Document #3**). Before making a decision on legislative travel to a conference, Representative Heineman said that her intent in drafting the form is to provide a means by which the Legislature can determine the value of each conference.

Senator Earley agreed that there should be some sort of way to gather input from legislators on the conferences they attend.

Representative Pat Haley said that he has no opposition to the form; however, he said that he believes the conferences are of tremendous educational benefit to legislators. Representative Haley said that he hesitates to put limits on legislative travel to these types of conferences.

REPRESENTATIVE HEINEMAN MOVED, SECONDED BY SENATOR EARLEY, THAT THE EXECUTIVE BOARD ADOPT THE FORM FOR LEGISLATORS TO COMPLETE AS A LEGISLATIVE FOLLOW-UP FOR CONFERENCES WHICH THEY ATTEND. The motion prevailed unanimously on a voice vote.

Legislative Interns

Mr. David Ortbahn, LRC Principal Research Analyst, reviewed the intern selection process and the results of the surveys completed by legislators and interns regarding their respective internship experience. Mr. Ortbahn said that, for the most part, the experience was positive for both the legislators and the interns.

Mr. Ortbahn explained that ten legislative intern positions are provided for in statute and twelve legislative internships are provided for by Executive Board action. The interns' assignments are proportionally based on legislative political party membership.

SENATOR BRODERICK MOVED, SECONDED BY REPRESENTATIVE HEINEMAN, THAT THE EXECUTIVE BOARD DIRECT STAFF TO CONTINUE TO FILL TWENTY-TWO LEGISLATIVE INTERNSHIPS PROPORTIONALLY BASED ON LEGISLATIVE POLITICAL PARTY MEMBERSHIP FOR THE UPCOMING 2006 LEGISLATIVE SESSION. The motion prevailed unanimously on a voice vote.

Report on Standard and Poor's Education Scorecard

Representative Heineman reported on Standard and Poor's Education Scorecard. She said that data was based on academic, financial, and demographic figures. Representative Heineman noted a valuable website for information: www.schoolmatters.com. She stated

that a portion of the ALEC Meeting which she attended was devoted to the subject, "Better Performers." That portion discussed how schools and people in like situations can find out why some are doing a better job than others and why that is the case. Also, Representative Heineman said that some of the presenters offered to help policy-makers use the information correctly. She said that Standard and Poor's does not make policy but does provide data to policy-makers. Representative Heineman suggested that the Executive Board invite some of the presenters to a legislative forum, perhaps at the same time as the Governor's Budget Address.

Chair Olson also commented on the excellence of the website noted by Representative Heineman. He also said that the Department of Education should be invited to such a forum, if such a topic were to be selected by the Executive Board.

The Executive Board recessed at 2:55 p.m. and reconvened at 3:10 p.m.

Review of Page Blazer Proposal

Ms. Jill Bartlett, owner of the Pierre Hollywood Shop, presented a written proposal outlining the options and costs of providing a uniform-type attire for the high school students serving as pages during the Legislative Session (**Document #4**). Ms. Bartlett passed around samples of a few of the options, and some of the clothing options were worn by individuals who modeled the proposed attire.

After discussion on the page blazer proposal, the Executive Board unanimously agreed that page attire will continue to be addressed by the legislators and the page adviser. Also, the Board directed staff to thank Ms. Bartlett for her proposal.

Adjournment

Before adjournment, Mr. Hubbard distributed a memo regarding SDRS payments versus contributions in response to Chair Olson's earlier request (Document #5).

REPRESENTATIVE PEDERSON MOVED, SECONDED BY REPRESENTATIVE JENSEN, THAT THE EXECUTIVE BOARD ADJOURN. MOTION PREVAILED UNANIMOUSLY ON A VOICE VOTE.

The Executive Board adjourned at 3:50 p.m.



All Legislative Research Council committee minutes and agendas are available at the South Dakota Legislature's Homepage: <http://legis.state.sd.us>. Subscribe to receive electronic notification of meeting schedules and the availability of agendas and minutes at **MyLRC** (<http://legis.state.sd.us/mylrc/index.htm>).