

Synopsis: In the 2006 session, South Dakota School of Mines and Technology's base general fund budget was cut by \$40,560, the amount identified in an audit finding that was related to federal research dollars spent on the rental of property to support space for the Polymer Technology, Processing, and Composites Laboratory. Senate Bill 59, which revises the FY07 general bill, seeks to reinstate those funds this year. The Governor's recommended base general fund budget for FY08 also restores these funds in the base budget.

FY04 Audit Finding

- The audit finding was for the one-time expenditure of federal funds to lease a facility from the SDSM&T Foundation. The \$40,560 was the amount paid to the SDSM&T Foundation above the actual property costs.
- The SDSM&T Foundation was approached by School of Mines and asked to purchase the property so the university could acquire necessary research space to meet the growing research needs of the Polymer Technology, Processing, and Composites Laboratory under the Advanced Materials and Processes for Future Combat Systems Cooperative Agreement. The purchase could not be accomplished in a timely manner without the involvement of the foundation.
- The property on the market, known as the Fenske property, was purchased by the foundation and leased to School of Mines. The foundation determined the rate of return needed on its investment had it invested donors' money, and included it in the lease cost.
- The original transaction was structured in consultation with the federal granting agency and understood to be acceptable. After the state audit finding, the granting agency went along with the finding and required repayment. South Dakota School of Mines and Technology should not incur double jeopardy for the audit finding.

2006 Legislative Action

- The budget cut made by the Legislature was "Amendment 209mb" to the General Appropriations Act of 2006 (Senate Bill 209) and cut \$40,560 of general funds from the School of Mines' general fund base.
- School of Mines will suffer an on-going \$40,560 cut to its base general funds for a one-time occurrence involving federal funds.
- The Board of Regents requested, and Gov. Rounds has recommended, that the one-time federal audit cut be reinstated in the FY07 base by including it in Senate Bill 59, and also be reinstated in the budget base by including it in the Governor's recommended budget for FY08.