Bill Brief for SB41 – An Act to provide for the disposition of South Dakota Building Authority refinancing revenues for the Board of Regents.

What does this bill do?

This bill clarifies that refinancing revenues received by the South Dakota Building Authority, related to projects for the public universities that are supported with non-state revenues, shall be deposited in the fund corresponding with the non-state revenue source.

Why is this bill necessary?

Section 5 of SDCL 5-12-23 reads as follows:

However, for any year in which the Legislature has appropriated funds for the payment of lease rentals with respect to a project of the kind described in this chapter, any revenues received by the authority, other than from the appropriation, as a result of such program shall be assigned to and deposited in the general fund.

- The above language is being interpreted to read that no matter the fund source of the lease payment, any excess revenues received are deposited into the General Fund. So when bonds are refinanced, the savings end up being deposited into the General Fund and the lease payments remain the same.

- Lease payments for projects related to the public universities normally come from the Higher Education Facilities Fund (known as HEFF). HEFF represents 11.5 percent of each student tuition dollar collected. Other sources for lease payments involving university projects could include student fees or private funds.

- Refunding proceeds are never mentioned in the statute, but refunding proceeds from bonds related to university projects are being deposited into the General Fund. Refunding proceeds that come from student tuition and fees and private resources should be directed to reduce the lease payments or to fund appropriate projects at the universities.

What is the impact of this change?

- Future savings from bond refinancing would be returned to the appropriate university.

- Currently, the Building Authority is looking to refinance Series 2009 bonds for the University Center-Sioux Falls, which was funded out of HEFF, and Series 2011, which bonded maintenance and repair projects at BHSU, NSU, SDSU, and USD out of the HEFF maintenance and repair allocation. The cumulative savings of $1,532,822 is related to tuition payments and should be returned to the universities.