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**SOUTH DAKOTA CHAPTER**  
**AMERICAN SOCIETY FARM MANAGERS & RURAL APPRAISERS**  
**THE MOST TRUSTED RURAL PROPERTY PROFESSIONALS**

12 / 09



*Enhancing Our Members' Ability to Succeed  
in Their Rural & Agriculturally Related Professions!*

**DATES TO REMEMBER!**

January 20-22–Winter Education & Joint Meeting W/PAASD – Chamberlain

March 11 - West River Breakfast Meeting - 9 A.M.

Rapid City Marlin's Roadhouse Grill

March 19 - East River Breakfast Meeting - 9 A.M.

Sioux Falls Roll'N Pin

May 6-7 - Chapter Board Meeting - Brookings

May 7- SDSU Network Event - Brookings

July 12 thru 16 – ASFMRA Summer Education Week – St. Louis

November 1 thru 4 – 81<sup>st</sup> ASFMRA Annual Meeting – Orlando, FL

**PRESIDENT'S MESSAGE**

I don't know how many of you are familiar with our state's South Dakota Agriculture and Rural Leadership, Inc program: [www.sdarl.org](http://www.sdarl.org). Brian Gatzke and I were members of Class III of this most excellent program.

We participated during 2005 and 2006 and are still harvesting benefits and continue to be active as Alumni members. I won't belabor this letter with my interpretations of the program, because I could literally write pages. I will suffice it to say it's a great program and even this old dog learned and benefitted.

Class VI applications will be available on the website above, beginning January 1, 2010. If you have any interest at all in *being a better you* please take a look at this program through their website. I also volunteer to take your call to discuss and answer your questions as best I can and suspect Brian would be willing to do the same.

I wish you all the Merriest of Christmas's and a Wonderful 2010 New Year!

## **NOMINATING COMMITTEE SECURES CANDIDATES FOR BALLOT**

Chair Ron Rucker and members Ryon Rypkema and Jim Dunlap have completed their work and nominations are in place for the 2010 elections to be held on January 21<sup>st</sup> at the chapter membership meeting at Cedar Shores Resort in Chamberlain beginning at 5:00 p.m.

### **Chapter Officer Nominations:**

President	Tom Jass	President Elect	Allan Husby
Secretary	Geoffrey Oliver	Treasurer	Brian Gatzke

**Board Member Nominations:** Ronald Ensz and Paul Sickler

**2011 Nominating Committee Member:** Craig Sommers

Will join Past President Ron Rucker as Chair and a member to be appointed by President and / or board.

**Other nominations can be made at the meeting on January 21<sup>st</sup>.**

**LET'S HAVE A GOOD TURNOUT FOR CHAMBERLAIN MEETING!**

A full schedule is set for the joint January 20-22, 2010 meeting of SD ASFMRA and PAASD (Professional Appraiser's Association of South Dakota) at Cedar Shore Resort in Chamberlain. The South Dakota Chapter will be the primary sponsor for two courses, and co-sponsoring one course with PAASD. In total, there will be six different offerings over the three day event summarized below.

Wednesday – January 20	Thursday – January 21	Friday – January 22
<b>Appraising Distressed Commercial Real Estate: Here We Go Again. (7.0 CE) sponsored by SD ASFMRA and WY Appraisal Institute. Instructor: Rich L. Borges II, MAI, SRA, GRI</b>	<b>USPAP 7-Hour Update Course. (7.0 CE) co-sponsored by SD ASFMRA Chapter and PAASD. Instructor: Dennis Badger</b>	<b>Wind Powered Electric Generators and Their Impact on Land Ownership. (8.0 CE) sponsored by SD ASFMRA. Instructor: Terry Argotsinger, AFM, ARA</b>
<b>Valuation By Comparison: Residential Analysis &amp; Logic. (7.0 CE) sponsored by PAASD and WY Appraisal Institute chapter. Instructor: Mark Smeltzer, SRA</b>		<b>Bulletproof Residential Appraisal Reports. (3.0 CE) sponsored by PAASD. Instructor: Craig Steinley, SRA</b>
<b>Registration for the courses is being handled by PAASD thru their <a href="#">website</a>, or by contacting Bev Luke with PAASD at 605.716.9011. Advance registration ends January 10, 2010. For reservations at Cedar Shore Resort, call 605-734-6376.</b>		<b>Training Course for Supervising Appraisers and State-Registered Appraisers. (4.0 CE) sponsored by PAASD. Instructor: Craig Steinley, SRA</b>

**Registrations As Of December 22:**

- 32 in Appraising Distressed Commercial RE
- 84 in USPAP
- 33 in Wind-Powered Electric Generators.

**SD ASFMRA Chapter Membership Meeting:** The SD Chapter will hold its annual membership meeting on Thursday evening. **The starting time will be 5 P.M.** This will give those attending the Thursday education offerings time to take a breath and energize themselves for the meeting. The agenda will include financial report, update on committee activities / plans, and elections.

**Social: Following the meeting, the SD Chapter will host a social from 6:30 to whenever.** The social will be open to members of the ASFMRA and PAASD, as well as others attending the education offering on Friday. The SD Chapter Social will provide pizza from Cedar Shores for everyone and there will be a cash bar available. Cedar Shores does not allow outside food or beverages necessitating a change from our tradition.

**Make your plans to attend this meeting of education and networking!**

## **SD CHAPTER MEMBER BENEFITS FROM KJERSTAD MEMORIAL SCHOLARSHIP**

After a full year of discussion and planning, the scholarship was established by the chapter in January 2008 in two phases. In October 2009, the chapter board approved Phase 2 of the program. The scholarship focus:

- A lasting memorial of Jerry's contribution to our chapter.
- A means to generate funds that can allow expansion of chapter support for members in accord with the chapter mission of *Enhancing Our Members' Ability to Succeed in Their Rural & Agriculturally Related Professions!*

### **Objectives:**

1. Encourage potential members to join our chapter and help them with initial ASFMRA education.
2. Encourage members to attend and learn the benefits of the networking and education that take place at national events.
3. Broaden the experience of chapter members, which will in turn, strengthen our chapter member networking opportunities and develop future leadership for the chapter.
4. Encourage members to pursue accreditation and support them in this endeavor.
5. Recognize the member's achievement in gaining his accreditation.
6. Build member loyalty to the chapter.

Funding for this program is handled outside of the normal chapter operating / budgeting process. A separate money market account is dedicated for this program and the scholarships are paid from this account. Chapter fundraising projects and interest accrual on the account pay for the scholarships.

### **Scholarship opportunities for members under this program include:**

- **\$500 scholarship for Leadership Institute attendance** -- Priority for the scholarship - Chapter President, board member, member who has never attended, member who has attended. Interest to be communicated to Chapter President by August 1<sup>st</sup>.
- **Pay member registration fee for first time national meeting attendance** - The member planning to attend their first national meeting would inform President and Treasurer.
- **\$500 scholarship for first education course that is a part of accreditation track after becoming a new member.** - Member would inform President and Treasurer of intent to attend. Scholarship paid to member upon confirmation of course enrollment and adequate funds. If inadequate funding, will be reimbursed in future when adequate funding secured.

Continued

## **SCHOLARSHIP OPPORTUNITIES CONTINUED**

- **\$500 scholarship for accreditation education for those committed to achieving accreditation.** - Any current member can provide written intent for the upcoming calendar year by December 1<sup>st</sup> to Chapter President. The written intent will convey the member's status regarding educational requirements and his / her personal timeline to achieve completion of educational requirements, demo report, and sitting for the exam. Scholarship approval will be communicated to a member by March 31 of the calendar fiscal year. The member can be paid \$500 toward the cost of a class still needed within 3 years of scholarship approval.
- **Pay for cost of the accrediting exam** - Payable upon application as communicated by member to President and Treasurer. The cost of exam would be paid on a one time only basis.
- **Pay member registration fee when receiving accreditation at national meeting.** The member planning to attend would inform President and Treasurer.

Scholarships related to accreditation address only 1 accreditation per member. I.E. – Would not cover ARA, AFM, RPRA and / or AAC all for one member over time.

**Members are encouraged to utilize this significant member benefit and communicate this key benefit when recruiting new members!**

## **MORE MEMBER BENEFITS NATIONAL LEVEL (from national website)**



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- [Alamo Car Rental - Up to 10% Discount with Corp. ID#706768](#)
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## **APPRAISAL EDUCATION COMMITTEE HAS FULL AGENDA IN 2010**

**By Committee Member Jim Dunlap, ARA**

The Appraisal Education Committee met in Denver on October 26<sup>th</sup> before the Annual Meeting. There were many issues to be discussed and education material to be offered that was discussed over the 8 plus hours the committee met.

Much of the discussion had to do with the re-writing of our core course material of A-110, A-200 and A-300 to go from the integrated appraisal education model to a modular format. This change has become necessary due to many states refusing to give credit for pre-licensing or licensing until all three courses have been completed, or in some cases, states have refused to give any credit for these courses, since they could not easily identify and catalog a student's progress under the new AQB guidelines.

Even though all felt our integrated approach to instruction provides a superior education environment for the student to understand and be able to apply appraisal principles, we also understand the "need" to change, so these three courses, tests and instructor materials are in the process of being re-written to modular format. It is anticipated this will be completed in the first half of next year.

Another advantage of the re-writing of this material is how they will then fit into proposed university degree programs, and future education offering materials for RICS, since the delivery system was also discussed and in addition to classroom offerings are eventually intended to be offered on-line.

Another area examined was the effect the re-writing of these courses will have on accrediting, since the hours of course offerings will change somewhat with making Cost, Income and Sales Comparison Approaches to value individual courses rather than integrated into each of the three courses now offered as A-110; 200 and 300. Committee agreed the total number of hours for the ARA and RPRA should remain nearly identical to present, which will also mean a slight change in courses required, since terminology and format are being changed on the material being re-written.

This change will need to be programmed into the ARA / RPRA path which will occur over time to give those individuals currently in the accrediting process appropriate time to complete under the existing education material. More on this will be provided by the Denver office as this material becomes available and the new education offerings and changes start to occur in 2010 and 2011.

As a side issue of the changes occurring in education, the ability of members to challenge course material by exam in the future was discussed. A move toward a more inclusive list of course material available to our members that wish to complete challenge exams of ARA material is being looked at for revision of requirements.

The RPRA courses, USPAP and Ethics plus a couple of other courses will not be available for challenge due to the nature of the material being presented. However, it is intended that this will provide people the option to complete required courses in which they have a good background without having to travel and sit in a classroom.

New course material and assignments to re-write current continuing education course materials to update and make this course material more relevant also was discussed and completed, which will help our society to maintain a leading edge in both education offerings and quality of these programs.

Continued

## **APPRAISAL EDUCATION COMMITTEE CONTINUED**

Re-writing this material and some of the spin-off issues and challenges is a very expensive process for the society. However, it has several advantages:

- It will position our education material to be sought by anyone interested in rural appraising to include some rural /commercial appraisal people.
- It will get us back on track with several states that took a very narrow approach to the new education requirements of AQB.
- It will provide a platform for potential college level course interaction with degree programs, plus potential international course work to be provided in cooperation with RICS.

We should all be proud of the ASFMRA and the education that is being offered members and non-members across the nation. It truly is outstanding.

## **FRACTIONATED INTEREST CHALLENGE**

**By Geoff Oliver, ARA**

With the recent settlement of the 'Cobell' lawsuit against the Department of Interior for the mismanagement of Indian Lands and funds, part of the settlement was the purchase of fractionated interests in Indian Country. \$2 billion has been allocated for the purchase of these interests, with 5% of the proceeds set aside for Indian education. The valuation methodology of these interests has been argued extensively, but with that aside, the following are some issues we face with current and future fractionation.

### **How small are the interests?**

As of September 30, 2009, there were 143,663 individual Indian allotments and over 4 million fractionated interests. Of those, over 37,000 tracts of land account for more than 2 million fractionated interests. There are now single pieces of property with ownership interests of less than 0.0000001, or 1/10 millionth of the whole interest, valued at less than a penny. As an example of continuing fractionation, consider a real tract identified in 1987 in *Hodel v. Irving*:

Tract 1305 is 40 acres and produces \$1,080 in income annually. It is valued at \$8,000. It has 439 owners, one-third of whom receive less than \$.05 in annual rent and two-thirds of whom receive less than \$1. The largest interest holder receives \$82.85 annually. The common denominator used to compute fractional interests in the property is 3,394,923,840,000. The smallest heir receives \$.01 every 177 years. If the tract were sold (assuming the 439 owners could agree) for its estimated \$8,000 value, he would be entitled to \$.000418. The administrative costs of handling this tract are estimated by the BIA at \$17,560 annually.

Today, this tract produces \$2,000 in income annually and is valued at \$22,000. It now has 505 owners but the common denominator used to compute fractional interests has grown to 220,670,049,600,000. If the tract were sold (assuming the 505 owners could agree) for its estimated \$22,000 value, the smallest heir would now be entitled to \$.00001824. The administrative costs of handling this tract in 2003 are estimated by the BIA at \$42,800.

Continued

## **FRACTIONATED INTEREST CHALLENGE CONTINUED**

### **What is the effect that fractionation has had on the management of the Indian lands?**

Generally, over 50% of owners must agree on the use of the land, such as leasing for resource development, grazing, timber harvesting, and other rights-of-way and lease activity. When land is highly fractionated and ownership interests are modest, it is difficult to obtain owner participation in leasing or use of the land. As a result, highly fractionated tracts of Indian land often cannot be used for the benefit of either the many individual owners or for tribal communities. The land consolidation program will help unlock the unrealized benefits of these lands for the benefit of tribal communities.

### **What are the economic consequences of fractionation?**

The economic consequences of fractionation are severe. Appraisal studies suggest that when the number of owners per tract of land grows to between ten and twenty, the fair market value associated with each interest declines -- often precipitously. Fractionated interests, however, still hold cultural and historical significance for many individual allottees.

### **Where are these lands primarily located? Can they be found within the boundaries of an existing reservation?**

The majority of the highly fractionated parcels is located within the Great Plains and Rocky Mountain Regions and is found within existing reservation boundaries.

### **How long has the problem of fractionation existed?**

Fractionation is not a new issue. In the 1920s, the Brookings Institute conducted the first major investigation of the impacts of fractionation. This report, which became known as the Meriam Report, was issued in 1928 and formed the basis for land reform provisions that were included in what would become the Indian Reorganization Act of 1934.

### **What has been done to try to correct fractionation?**

The American Indian Probate Reform Act of 1994 created a new Federal probate law that changed the way intestate trust estates are distributed to heirs after a beneficiary's death and provides for land consolidation options during probate. This increases the importance and benefits of estate planning so the beneficiary can determine who inherits his / her assets.

The Indian Land Consolidation Act, as amended in 2004, offers opportunities for fractionated interest holders to sell their interests and consolidate ownership with the Tribal governments. At Interior, efforts have been coordinated primarily through the BIA Indian Land Consolidation Office, which has sought to help Tribes by operating several acquisition projects which purchase interests in fractionated tracts and transfers title to the Tribes. A total of 20 reservations located in seven BIA Regions have participated in ILCP.