

STATE ELECTRICAL COMMISSION



South Dakota Legislative Research Council

Frequently Asked Questions

The purpose of this FAQ sheet is to provide information to the Joint Committee on Appropriations regarding *Informational Budgets* in the South Dakota budgetary system. The information was compiled by the Legislative Research Council with assistance from the Department of Legislative Audit and the Government Operations and Audit Committee.

When and why was this fund created?

The State Electrical Commission was established by the 1963 Legislature. The enacting legislation established fees for licensing and inspecting, which have been amended over the years. The mission of the State Electrical Commission is to safeguard persons and property from hazards arising from the use of electricity. (SDCL 36-16)

Where does the revenue come from?

Inspection fees (\$1.1 million) are the major source of revenue of the Commission. The biennial license fees are also a significant revenue source with revenue ranging from \$60,000 to \$200,000 depending on the renewal cycle. License fees are set by Statute (SDCL 36-16-17) and the inspection fees are set by Administrative Rule (20:44). Inspection fees are paid for new residential installation, service connections, circuit installation or alteration, remodeling work, field irrigation systems, mobile home service, recreational vehicle service, swimming pools, carnivals and seasonal dwellings, wiring permits, and modular homes and structures manufactured out-of-state. License fees are paid by the class of electricians who may be licensed under this chapter including electrical contractor, journeyman electrician, class B electrician, electrical inspector, inactive class B electrician, and maintenance electrician.

What spending restrictions exist on the fund?

All reasonable and necessary expenses incurred in conducting the business of the State Electrical Commission are allowed. Money collected for the Electrical Commission shall be kept by the secretary/treasurer and disbursed only on warrants signed by the president, secretary/treasurer, and executive director. The Commission is accounted for as an enterprise fund. An enterprise fund is a proprietary fund type used to account for operations that are financed and operated in a manner similar to private business, where the intent of the governing body is that the cost of providing services to the public on a continuing basis be financed or recovered primarily through user charges or fees.

Has the original purpose of the fund changed?

No, the original purpose has not had any significant changes.

Is the fund on the state accounting system? What is the timing of the Fiscal Year?

The fund is on the state accounting system and the fiscal year runs the same as the state fiscal year which is from July 1 to June 30.

What oversight exists?

An Independent Accountants' Report On Applying Agreed-Upon Procedures was performed by Ketel Thorstenson, LLP for the fiscal year ending June 30, 2004. The Government Operations and Audit Committee is currently reviewing the Electrical Commission fund. The Appropriations Committee has an annual budget hearing for the Department of Labor including the Electrical Commission. The informational budget of the commission is included in the Governor's budget request and the General Appropriations Bill, which is acted on by the Legislative Body. Fees are set in codified law or the rulemaking process.

The following response was submitted on behalf of the Electrical Commission:

- The \$987,105 cash balance shown for June 30, 2007 includes \$107,369 from the undertaking fund which is a bonding account statutorily established and restricted which can only be used for compensation in the case of incomplete or substandard licensed electrical installations. Also, \$740,693 of the cash balance is deferred revenue which are unearned fees received for electrical permits but the final inspections have not been completed. In addition, at June 30, 2007 the electrical commission had accounts payable of \$610, accrued wages payable at \$47,621, state central services payable of \$21,129, short term compensated absences payable of \$47,794 and long term compensated absences payable of \$43,277. Backing these amounts off from the \$987,105 June 30, 2007 cash balance leaves remaining unrestricted cash balance of \$85,981. The commission believes this is a minimal operating balance and has no plans to reduce below this level.

2007 Government Operations and Audit Committee "Blue Book" Other Fund Information

Department of Labor**State Accounting System - Other Fund Balances****Company 6503 - Electrical Commission**

| | FY2004 | FY2005 | FY2006 | FY2007 |
|--|---------------|---------------|---------------|---------------|
| 1 Cash Pooled with State Treasurer | 1,026,648.64 | 900,911.38 | 928,680.49 | 987,105.13 |
| 2 Total Assets | 1,026,648.64 | 900,911.38 | 928,680.49 | 987,105.13 |
| 3 | | | | |
| 4 Accounts Payable | - | - | - | - |
| 5 Total Liabilities | - | - | - | - |
| 6 | | | | |
| 7 Reserve for Encumbrances | 1,015.47 | 1,365.25 | 3,117.34 | - |
| 8 Unreserved Fund Balance | 1,025,633.17 | 899,546.13 | 925,563.15 | 987,105.13 |
| 9 Total Fund Equity | 1,026,648.64 | 900,911.38 | 928,680.49 | 987,105.13 |
| 10 Total Liabilities and Fund Equity | 1,026,648.64 | 900,911.38 | 928,680.49 | 987,105.13 |
| 11 | | | | |
| 12 | | | | |
| 13 Licenses, Permits and Fees | 1,071,326.08 | 1,090,507.66 | 1,348,761.68 | 1,269,483.97 |
| 14 Fines, Forfeits and Penalties | 13,375.00 | 20,998.00 | 12,816.00 | 29,835.00 |
| 15 Use of Money and Property | 49,523.30 | 32,274.46 | 27,012.30 | 27,138.93 |
| 16 Sales and Services | 1,801.43 | 765.86 | 3,459.58 | 1,159.76 |
| 17 Other Revenue | - | 269.00 | 64.24 | - |
| 18 Total Operating Revenue | 1,136,025.81 | 1,144,814.98 | 1,392,113.80 | 1,327,617.66 |
| 19 | | | | |
| 20 Personal Services and Benefits | 762,039.46 | 815,851.94 | 882,285.45 | 837,117.02 |
| 21 Travel | 248,074.06 | 275,410.03 | 300,213.57 | 268,324.65 |
| 22 Contractual Services | 87,164.38 | 97,731.16 | 86,328.23 | 82,564.68 |
| 23 Supplies and Materials | 50,593.75 | 30,984.57 | 50,037.41 | 37,998.10 |
| 24 Capital Outlay | 24,503.69 | 50,574.54 | 5,511.41 | 1,754.27 |
| 25 Other Expense | - | - | 150.00 | - |
| 26 Total Operating Expenditures/Expenses | 1,172,375.34 | 1,270,552.24 | 1,324,526.07 | 1,227,758.72 |
| 27 | | | | |
| 28 Transfers In | - | 504,248.44 | 18,704.00 | 9,539.00 |
| 29 Transfers Out | - | (504,248.44) | (58,562.62) | (50,973.30) |
| 30 Net Transfers In (Out) | - | - | (39,858.62) | (41,434.30) |
| 31 | | | | |
| 32 Net Change | (36,349.53) | (125,737.26) | 27,729.11 | 58,424.64 |
| 33 | | | | |
| 34 Beginning Fund Equity | - | 1,026,648.64 | 900,911.38 | 928,680.49 |
| 35 Prior Period Adjustment | 1,062,998.17 | - | 40.00 | - |
| 36 Ending Equity | 1,026,648.64 | 900,911.38 | 928,680.49 | 987,105.13 |

Company: 6503**Company Name:** Professional & Licensing Boards**Fund Name:** Electrical Commission**Fund Type:** Enterprise

Purpose: This fund accounts for the Electrical Commission authorized by SDCL 36-15. Sources: License fees, renewal fees, penalty fees, and any other payments. The board is continuously appropriated for paying the expenses of administration. However, the total expense incurred by the board may not exceed the total money collected.

Budget Information: Included in the General Appropriations Bill as an informational budget.

Additional Information:

GOAC identified that Commission has approximately \$928,000 and are concerned with why there is a need for such a large cash balance.

Condition Statement prepared by the Bureau of Finance and Management 10/15/2007

**DEPARTMENT OF LABOR
ELECTRICAL COMMISSION
CONDITION STATEMENT (6503-618-09 & 6503-618-10)**

| | ACTUAL FY2006 | ACTUAL FY2007 | PROJECTED FY2008 |
|-----------------------------------|--------------------------|--------------------------|-----------------------------|
| TOTAL RECEIPTS | \$1,402,895.84 | \$1,337,156.66 | \$1,515,000.00 |
| TOTAL DISBURSEMENTS | \$1,359,465.37 | \$1,278,732.02 | \$1,471,294.06 |
| NET (Receipts less Disbursements) | \$43,430.47 | \$58,424.64 | \$43,705.94 |
| BEGINNING CASH BALANCE | \$782,170.43 | \$825,640.90 | \$884,065.54 |
| Prior Year Adjustment | \$40.00 | | |
| ENDING CASH BALANCE | \$825,640.90 | \$884,065.54 | \$927,771.48 |