

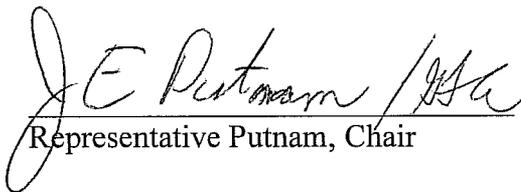
Subcommittee on Informational Fund Balance

During the course of its deliberation, the Subcommittee met three times. At these meetings, the Subcommittee took testimony from the Attorney General Larry Long and the Legislative Research Council Director Jim Fry as regards to the legal framework connected with informational budget agencies. It was also briefed by the LRC staff regarding the number and background informational budget agencies.

The Subcommittee then directed the LRC staff to prepare draft criteria and an approach for use in reviewing the Informational Fund Balance Agencies. The subcommittee considered this information at its last meeting.

It was agreed to report those criteria and the suggested approach to the full Committee for its further consideration and implementation. (See attached material)

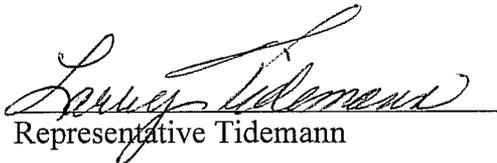
Subcommittee on Informational Fund Balance


Representative Putnam, Chair


Senator Apa, Vice Chair

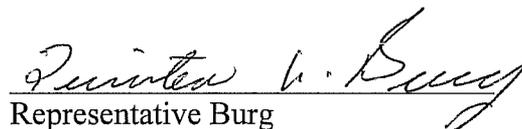
Senator Gant

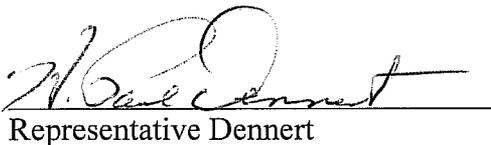

Representative Peters

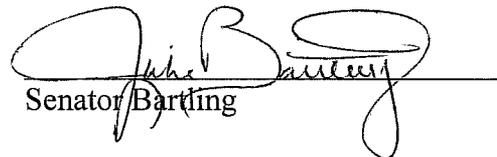

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Representative Dennert


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Senator Maher

Representative Rave

Senator Schmidt

Memorandum

August 15, 2007 (Rev1)

To: Informational Fund Balance Subcommittee
From: Fred Schoenfeld
Chief Fiscal Analyst, LRC
Subject: Criteria for Agency Analysis

It has proven considerably more difficult than expected to formulate workable criteria for the review of informational budget agencies against appropriations oversight and accumulated fund balances. This memorandum describes the latest effort in this regard. It has not been circulated for comment to this point. However, that may no longer be necessary, given the suggested approach.

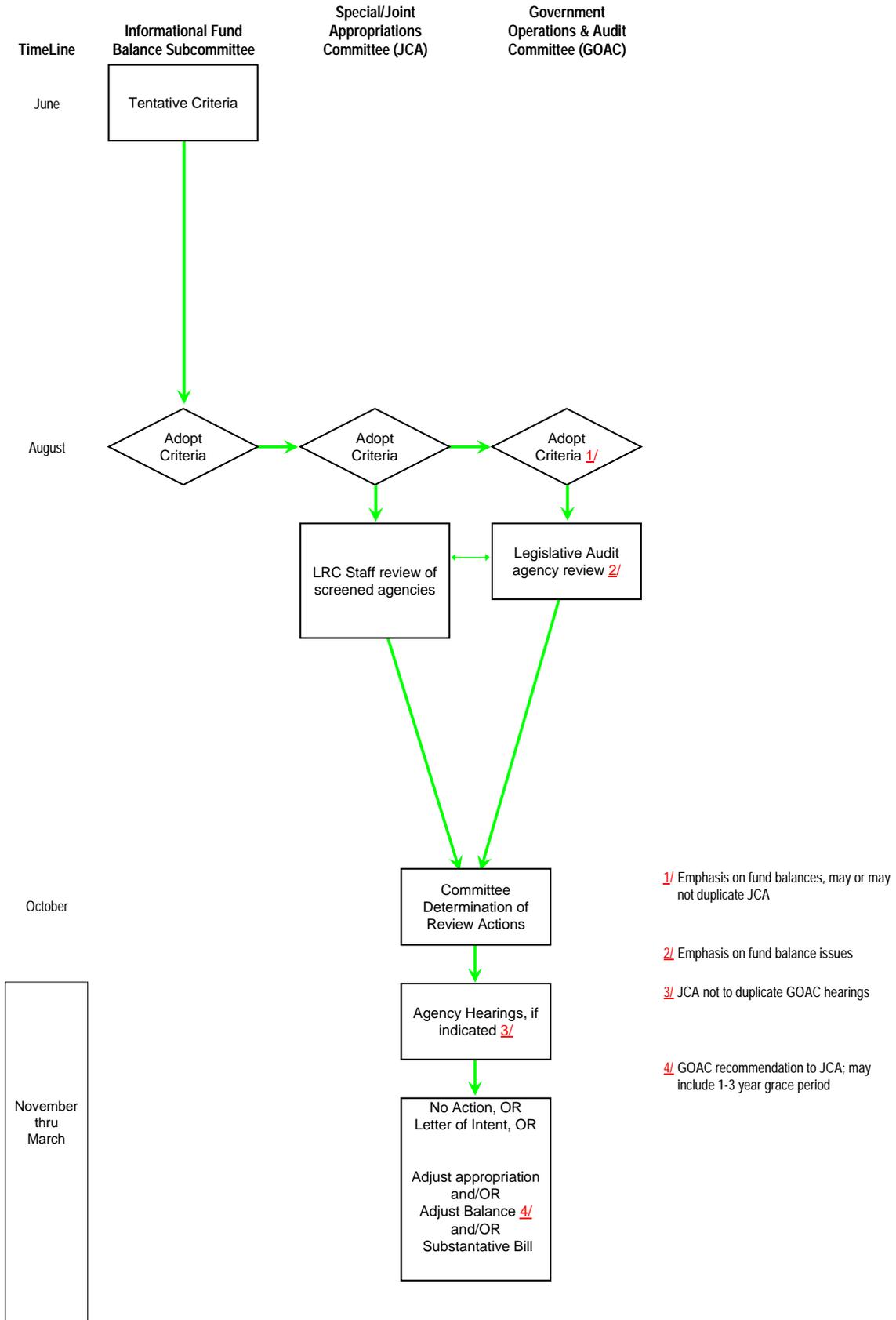
Because of workload considerations, it was deemed impractical to perform staff reviews of all agencies carried in the FY08 General Appropriation as informational budgets. Therefore, a screening mechanism is suggested using as the underlying assumption the "80-20 rule," i.e., the top 20% of the agencies are likely to account for somewhere around 80% of the problems. It is felt this approach can test the validity of the approach and if it is determined worth continuing, the remaining agencies can be covered in successive years.

Various discussions of an approach to this issue have indicated some confusion and overlapping of legislative roles in the oversight of executive branch functions. For the purpose at hand, the following distinctions have been used, with the assumption that the bulk of the effort of the Joint Appropriations Committee (JCA) will be directed toward the Budget/Appropriation column of the following table.

Legislative Oversight of Executive			
Rules (Interpretation)	Agency Review (Mission & Function)	Audit (Accounting)	Budget/Appropriation (Spending)
<ul style="list-style-type: none"> • Review and approve administrative rules and actions by Executive 	<ul style="list-style-type: none"> • Agency conformity with law, mission, and legislative intent • Sunset review 	<ul style="list-style-type: none"> • Comply with spending laws and accounting requirements • Accuracy of reporting • Amounts in various funds 	<ul style="list-style-type: none"> • Proper amounts of spending • Determination of available revenues • Consistency of spending with fiscal policy and priorities • Efficiency of spending (economy and spending performance) • Effectiveness of spending

For example, in discussing this matter in a recent meeting the Government Operations and Audit Committee (GOAC) came to the apparent position that its regular audit oversight function would lead it to recommendations to the JCA regarding fund balance accumulations and the possible sweeping of same.

The flow chart on the following page, shows the overall approach proposed.



The Legislative Audit staff recently released their update of the so-called "Blue-Book" data on other funds, as discussed at the last meeting of the Subcommittee. These data have been used as the basis for the screening of the agencies as described below. A sample data set for one agency as developed by GOAC is included for informational purposes as the last page of this packet as Attachment 4.

The initial screening and subsequent development of briefs on each of the selected agencies are set forth on the following attachments:

- Attachment 1: Agencies were rank ordered according to each of 7 different indications of size and/or accumulated fund balances. They were then color-coded to a natural breakpoint in the data for each.
- Attachment 2: Assuming an equal weight of 1 for each of the color-coded items, the agencies were then rank ordered by weights. It appears that a weight of 3 represents a natural break and yields 15 agencies for analysis, which seemed reasonable as a starting point.
- Attachment 3: This attachment describes the criteria LRC staff will use to develop briefs for JCA review and decision as next steps with respect to each of the selected agencies.

Name	FY08 GBill Total	Name	FY07 Unreserved Fund Balance	Name	FY07 Revenue	Name	FY07 Transfers In (Out)
Division of Wildlife	33,254,509	Science & Technology Authority	33,186,365	Lottery Instant & On-Line Operations	40,132,177	Lottery Instant & On-Line Operations	(10,116,761.0)
Lottery Instant & On-Line Operations	26,368,174	Division of Wildlife	17,753,131	Division of Wildlife	28,391,317	Commission on Gaming	(4,164,382.8)
Science & Technology Authority	19,210,868	PEPL Claims	11,058,485	Commission on Gaming	15,216,194	Division of Wildlife	(4,164,382.8)
Corn Utilization Board	6,132,263	Petroleum Release Fund	5,723,680	Corn Utilization Board	3,196,621	Regulated Response Fund	(272,413.0)
Soybean Research & Promotion	3,062,208	Lottery Instant & On-Line Operations	3,835,112	Unclaimed Property Fund	2,760,908	Electrical Commission	(41,434.3)
Unclaimed Property Fund	2,370,442	Soybean Research & Promotion	2,684,664	Soybean Research & Promotion	2,684,664	Snowmobile Trails Program	(25,870.0)
Regulated Response Fund	1,750,000	Regulated Response Fund	2,234,665	Petroleum Release Fund	1,748,714	Plumbing Commission	(14,731.9)
Wheat Commission	1,682,858	Snowmobile Trails Program	1,432,233	PEPL Claims	1,723,141	Board of Technical Professions	(6,419.8)
American Dairy Association	1,545,650	Corn Utilization Board	1,403,630	American Dairy Association	1,564,116	Cosmetology Commission	(5,756.0)
Fixed Utilities/Gross Receipts Tax	1,533,494	Fixed Utilities/Gross Receipts Tax	1,363,657	Fixed Utilities/Gross Receipts Tax	1,555,352	Board of Accountancy	(5,203.4)
Electrical Commission	1,424,324	Brand Board	1,158,679	Wheat Commission	1,328,166	Board of Barber Examiners	(48.5)
Commission on Gaming	1,312,475	Livestock Cleanup	1,061,721	Electrical Commission	1,327,618	Unclaimed Property Fund	202.2
PEPL Claims	1,300,000	Electrical Commission	987,105	Science & Technology Authority	1,131,244	Livestock Cleanup	30,979.9
Snowmobile Trails Program	1,168,804	Medical & Osteopathic Examiners	948,239	Medical & Osteopathic Examiners	1,007,262	Abstractors Board of Examiners	
Board of Nursing	1,012,794	Commission on Gaming	786,590	Board of Nursing	929,263	American Dairy Association	
One-call Notification Board	836,700	Board of Nursing	785,213	Snowmobile Trails Program	722,694	Board of Chiropractic Examiners	
Livestock Cleanup	765,000	Real Estate Commission	700,415	One-call Notification Board	702,723	Board of Counselor Examiners	
Medical & Osteopathic Examiners	724,419	Wheat Commission	646,111	Regulated Response Fund	594,552	Board of Dentistry	
Plumbing Commission	509,934	Board of Pharmacy	640,977	Real Estate Commission	465,604	Board of Funeral Service	
Real Estate Commission	456,418	American Dairy Association	584,951	Plumbing Commission	461,240	Board of Hearing Aid Dispensers	
Brand Board	450,112	Board of Dentistry	528,515	PUC Rate Case/Utility Investigation Fund	426,646	Board of Massage Therapy	
Petroleum Release Fund	439,184	One-call Notification Board	386,369	Board of Pharmacy	354,853	Board of Nursing	
Board of Pharmacy	378,471	Insurance Fraud Unit	323,485	Board of Technical Professions	344,354	Board of Nursing Home Administrators	
Board of Technical Professions	325,383	Ollseeds Council	283,552	Insurance Fraud Unit	339,419	Board of Pharmacy	
Insurance Fraud Unit	313,463	Plumbing Commission	275,494	Board of Accountancy	254,575	Board of Psychology	
PUC Rate Case/Utility Investigation Fund	259,991	Board of Accountancy	270,248	Cosmetology Commission	202,801	Board of Social Work Examiners	
Board of Accountancy	224,493	Board of Technical Professions	245,426	Ollseeds Council	189,685	Board of Veterinary Medical Examiners	
Cosmetology Commission	222,573	Transportation Warehouse	203,114	Board of Massage Therapy	139,090	Brand Board	
Ollseeds Council	194,100	Certification for Alcohol & Drug Professor	179,688	Certification for Alcohol & Drug Professional	124,186	Certification for Alcohol & Drug Professionals	
Transportation Warehouse	168,198	Board of Veterinary Medical Examiners	113,329	Brand Board	118,203	Corn Utilization Board	
Pipeline Safety	164,432	Board of Nursing Home Administrators	112,436	Board of Dentistry	114,641	Examiners in Optometry	
Certification for Alcohol & Drug Professionals	123,849	Board of Chiropractic Examiners	107,672	Board of Chiropractic Examiners	98,501	Fixed Utilities/Gross Receipts Tax	
Board of Dentistry	99,499	Board of Psychology	94,123	Pipeline Safety	88,203	Insurance Fraud Unit	
Board of Chiropractic Examiners	98,797	Board of Counselor Examiners	71,877	Board of Social Work Examiners	65,664	Medical & Osteopathic Examiners	
Board of Social Work Examiners	89,968	Board of Massage Therapy	60,892	Board of Counselor Examiners	64,542	Ollseeds Council	
Board of Counselor Examiners	76,625	Cosmetology Commission	52,847	Board of Veterinary Medical Examiners	64,467	One-call Notification Board	
Board of Psychology	73,114	PUC Rate Case/Utility Investigation Fund	50,843	Examiners in Optometry	62,308	PEPL Claims	
Board of Massage Therapy	62,924	Unclaimed Property Fund	50,000	Transportation Warehouse	61,686	Petroleum Release Fund	
Board of Funeral Service	58,427	Podiatry Examiners	47,853	Board of Psychology	46,016	Pipeline Safety	
Board of Veterinary Medical Examiners	53,749	Board of Hearing Aid Dispensers	45,300	Board of Nursing Home Administrators	41,604	Podiatry Examiners	
Examiners in Optometry	42,001	Pulse Crops Council	42,861	Pulse Crops Council	38,580	PUC Rate Case/Utility Investigation Fund	
Board of Nursing Home Administrators	40,211	Board of Social Work Examiners	38,994	Board of Funeral Service	33,735	Pulse Crops Council	
Board of Barber Examiners	28,559	Pipeline Safety	37,222	Board of Barber Examiners	25,003	Real Estate Commission	
Abstractors Board of Examiners	21,521	Examiners in Optometry	30,206	Board of Hearing Aid Dispensers	20,601	Science & Technology Authority	
Podiatry Examiners	21,439	Board of Barber Examiners	17,909	Abstractors Board of Examiners	12,136	Soybean Research & Promotion	
Board of Hearing Aid Dispensers	20,140	Board of Funeral Service	12,191	Podiatry Examiners	11,892	Transportation Warehouse	
Pulse Crops Council		Abstractors Board of Examiners	2,033	Livestock Cleanup	2,000	Wheat Commission	

Name	Unreserved Balance as % of Expense	Name	Unreserved Balance as % of Revenue	Name	Transfer Out as % Revenue
Livestock Cleanup	#DIV/0!	Livestock Cleanup	53086.1%	Regulated Response Fund	-46%
Pulse Crops Council	181231.2%	Science & Technology Authority	2933.6%	Commission on Gaming	-27%
Regulated Response Fund	6529.8%	Brand Board	980.2%	Lottery Instant & On-Line Operations	-25%
Transportation Warehouse	4033.2%	PEPL Claims	641.8%	Division of Wildlife	-15%
Science & Technology Authority	1433.1%	Board of Dentistry	461.0%	Snowmobile Trails Program	-4%
Board of Dentistry	484.0%	Podiatry Examiners	402.4%	Plumbing Commission	-3%
PEPL Claims	440.3%	Regulated Response Fund	375.9%	Electrical Commission	-3%
Brand Board	395.5%	Transportation Warehouse	329.3%	Cosmetology Commission	-3%
Podiatry Examiners	371.7%	Petroleum Release Fund	327.3%	Board of Accountancy	-2%
Petroleum Release Fund	327.3%	Board of Nursing Home Administrators	270.3%	Board of Technical Professions	-2%
Board of Nursing Home Administrators	307.1%	Board of Hearing Aid Dispensers	219.9%	Board of Barber Examiners	0%
Board of Hearing Aid Dispensers	274.3%	Board of Psychology	204.5%	Abstractors Board of Examiners	0%
Board of Veterinary Medical Examiners	271.4%	Snowmobile Trails Program	198.2%	American Dairy Association	0%
Board of Psychology	246.3%	Board of Pharmacy	180.6%	Board of Chiropractic Examiners	0%
Snowmobile Trails Program	236.3%	Board of Veterinary Medical Examiners	175.8%	Board of Counselor Examiners	0%
Board of Pharmacy	203.4%	Real Estate Commission	150.4%	Board of Dentistry	0%
Oilseeds Council	199.9%	Oilseeds Council	149.5%	Board of Funeral Service	0%
Medical & Osteopathic Examiners	153.3%	Certification for Alcohol & Drug Professionals	144.7%	Board of Hearing Aid Dispensers	0%
Certification for Alcohol & Drug Professionals	150.8%	Board of Counselor Examiners	111.4%	Board of Massage Therapy	0%
Real Estate Commission	145.2%	Pulse Crops Council	111.1%	Board of Nursing	0%
Insurance Fraud Unit	136.0%	Board of Chiropractic Examiners	109.3%	Board of Nursing Home Administrators	0%
Board of Accountancy	118.0%	Board of Accountancy	106.2%	Board of Pharmacy	0%
Board of Chiropractic Examiners	114.1%	Soybean Research & Promotion	100.0%	Board of Psychology	0%
Board of Massage Therapy	108.2%	Insurance Fraud Unit	95.3%	Board of Social Work Examiners	0%
Board of Counselor Examiners	104.6%	Medical & Osteopathic Examiners	94.1%	Board of Veterinary Medical Examiners	0%
Board of Technical Professions	103.6%	Fixed Utilities/Gross Receipts Tax	87.7%	Brand Board	0%
Division of Wildlife	86.7%	Board of Nursing	84.5%	Certification for Alcohol & Drug Professionals	0%
Fixed Utilities/Gross Receipts Tax	81.0%	Electrical Commission	74.4%	Corn Utilization Board	0%
Soybean Research & Promotion	80.7%	Board of Barber Examiners	71.6%	Examiners in Optometry	0%
Electrical Commission	80.4%	Board of Technical Professions	71.3%	Fixed Utilities/Gross Receipts Tax	0%
Board of Nursing	79.2%	Division of Wildlife	62.5%	Insurance Fraud Unit	0%
Board of Barber Examiners	78.5%	Plumbing Commission	59.7%	Medical & Osteopathic Examiners	0%
Examiners in Optometry	70.5%	Board of Social Work Examiners	59.4%	Oilseeds Council	0%
One-call Notification Board	65.1%	One-call Notification Board	55.0%	One-call Notification Board	0%
Plumbing Commission	59.2%	Wheat Commission	48.6%	PEPL Claims	0%
Board of Social Work Examiners	54.4%	Examiners in Optometry	48.5%	Petroleum Release Fund	0%
Pipeline Safety	47.1%	Corn Utilization Board	43.9%	Pipeline Safety	0%
Wheat Commission	41.4%	Board of Massage Therapy	43.8%	Podiatry Examiners	0%
American Dairy Association	39.0%	Pipeline Safety	42.2%	PUC Rate Case/Utility Investigation Fund	0%
Corn Utilization Board	30.3%	American Dairy Association	37.4%	Pulse Crops Council	0%
Cosmetology Commission	26.1%	Board of Funeral Service	36.1%	Real Estate Commission	0%
Board of Funeral Service	25.3%	Cosmetology Commission	26.1%	Science & Technology Authority	0%
PUC Rate Case/Utility Investigation Fund	20.8%	Abstractors Board of Examiners	16.8%	Soybean Research & Promotion	0%
Lottery Instant & On-Line Operations	12.8%	PUC Rate Case/Utility Investigation Fund	11.9%	Transportation Warehouse	0%
Abstractors Board of Examiners	12.1%	Lottery Instant & On-Line Operations	9.6%	Wheat Commission	0%
Commission on Gaming	8.0%	Commission on Gaming	5.2%	Unclaimed Property Fund	0%
Unclaimed Property Fund	1.8%	Unclaimed Property Fund	1.8%	Livestock Cleanup	1549%

1. STEP 1: Committee selection of agencies for review from preliminary screen rankings
2. STEP 2: Staff prepares brief on each selected agency, utilizing the following factors including consultation with Legislative Audit to ensure we are not duplicating their effort:
 - A. Expenditure/Accountability Oversight
 - (1) Appropriation History
 - (a) Total dollar magnitude
 - (b) Source/purpose
 - (c) Amount lapsed
 - (d) Wide fluctuations
 - (e) Expenditure consistently less than revenue
 - (2) Statutory Powers and Duties
 - (a) Vague
 - (b) Not contemporary
 - (c) Actual functions appear at variance with base statute
 - (3) Level of Agency Spending Discretion
 - (a) Discretionary balance
 - (i) Dollar amount
 - (ii) As percent of agency operating budget
 - (4) Time Since Last Legislative Overview
 - (a) Number of years
 - B. Fund Balance
 - (1) Required Use of Funds
 - (a) Does actual use of funds reflect apparent statutory requirements?
 - (2) Accumulated Fund Balances
 - (a) Dollar Amounts
 - (b) Reason for any accumulation
 - (3) Justifications
 - (a) Logical explanations (e.g., periodic fee increases, hedge against judgments, etc.)
 - (b) Is some other (better) alternative available? If so, disregard (a).
 - (4) Condition Statements
 - (a) BFM has for all agencies
 - (b) Trends
 - C. Special Considerations
 - (1) Pledge of Fund Revenues (e.g., sinking fund, borrowing, etc.)
 - (2) Purpose of Fund (e.g., pass through such as pending judicial disbursement, unclaimed property, etc.)
 - (a) Why was continuous appropriation granted?
 - (b) Is continuous appropriation limited to instances where no legislative discretion exists?
 - (3) Federal or Other Contractual Considerations (e.g., specific contractual requirements on use of funds for specified purposes which precludes sweeping for some other purpose such as Road Fund, etc.)
3. STEP 3: Committee reviews staff briefs and determines course of action for each agency
4. STEP 4: Committee Action after Review/Hearing:
 - A. No Action Indicated, or
 - B. Letter of Intent, and/or
 - C. Adjustment of agency appropriation, and/or
 - D. Adjusting of All or Part of Fund Balance, and/or
 - E. Substantive Legislation

Department of Game, Fish and Parks
State Accounting System - Other Fund Balances
Company 3126 - Snowmobile Trails Fund

	FY2004	FY2005	FY2006	FY2007
1 Cash Pooled with State Treasurer	1,173,357.06	1,237,418.37	1,360,050.75	1,450,868.62
2 Total Assets	<u>1,173,357.06</u>	<u>1,237,418.37</u>	<u>1,360,050.75</u>	<u>1,450,868.62</u>
3				
4 Accounts Payable	-	-	-	-
5 Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
6				
7 Reserve for Encumbrances	-	935.00	7,653.78	18,636.00
8 Unreserved Fund Equity	1,173,357.06	1,236,483.37	1,352,396.97	1,432,232.62
9 Total Fund Equity	<u>1,173,357.06</u>	<u>1,237,418.37</u>	<u>1,360,050.75</u>	<u>1,450,868.62</u>
10 Total Liabilities and Fund Equity	<u>1,173,357.06</u>	<u>1,237,418.37</u>	<u>1,360,050.75</u>	<u>1,450,868.62</u>
11				
12 Taxes	334,455.00	374,412.50	327,195.00	327,195.00
13 Licenses, Permits and Fees	383,850.92	286,167.69	357,560.27	296,077.93
14 Use of Money and Property	52,257.85	40,520.04	37,764.06	45,840.14
15 Sales and Services	12,456.40	7,303.00	14,709.00	14,589.50
16 Other Revenue	-	-	-	38,991.00
17 Total Operating Revenue	<u>783,020.17</u>	<u>708,403.23</u>	<u>737,228.33</u>	<u>722,693.57</u>
18				
19 Personal Services and Benefits	278,283.92	230,060.78	265,568.41	259,714.34
20 Travel	23,364.54	13,441.34	14,117.89	16,957.48
21 Contractual Services	120,795.05	97,817.51	102,028.53	105,308.72
22 Supplies and Materials	75,078.24	53,023.66	96,257.65	96,237.23
23 Grants and Subsidies	98,971.71	78,563.01	102,381.27	105,100.46
24 Capital Outlay	61,940.17	138,388.17	9,379.20	22,687.47
25 Interest Expense	-	6.45	-	-
26 Total Operating Expenditures	<u>658,433.63</u>	<u>611,300.92</u>	<u>589,732.95</u>	<u>606,005.70</u>
27				
28 Transfers In	-	3,515,714.52	-	-
29 Transfers Out	(24,847.00)	(3,548,755.52)	(24,863.00)	(25,870.00)
30 Net Transfers In (Out)	<u>(24,847.00)</u>	<u>(33,041.00)</u>	<u>(24,863.00)</u>	<u>(25,870.00)</u>
31				
32 Net Change	99,739.54	64,061.31	122,632.38	90,817.87
33				
34 Beginning Fund Balance	1,073,617.52	1,173,357.06	1,237,418.37	1,360,050.75
35 Ending Fund Balance	<u>1,173,357.06</u>	<u>1,237,418.37</u>	<u>1,360,050.75</u>	<u>1,450,868.62</u>

Company: 3126

Company Name: Snowmobile Trails Fund

Fund Name: Parks and Recreation Fund

Fund Type: Special Revenue Fund

Purpose: SDCL 32-5-9.2 created the Snowmobile Trails Fund. Source: Two dollars of each fee collected under 32-5-9.1 shall be credited to the motor vehicle fund and the balance of the license fees and the three percent initial registration tax shall be credited to the snowmobile trails fund. Transfer to the snowmobile trails fund each July an amount equal to the product of multiplying the number of licensed snowmobiles as of July 1st, times 125 gallons, times the rate of tax provided for motor fuels under this chapter. Use: Establish state snowmobile trails and areas.

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