

Departmental Earnings Report Instructions

Key Agency Requirements

Agencies must review fees during the even-numbered year so that agency fees are matched with the cost of the activity for which they are collected - to determine if fees are under/over recovering the cost of related activities. This is the basis to provide recommendations for fee changes in the upcoming biennial budget.

The product is a biennial report, the Departmental Earnings Report that provides a comprehensive inventory of fees and charges collected by each agency.

- Agencies must use the Biennial Budget System - Departmental Earnings Module to prepare their departmental earnings analysis.
- The methodology and presentation remains unchanged from that used two years ago.
- An agency's departmental earnings information prepared two years ago is the starting point for preparing the current analysis. To complete the required analysis, agencies must begin by reviewing and updating in BBS the descriptive and legal citation fee information in BBS.
- The analysis must include historical revenue and expenditure data for FY 2007 and FY 2008, as well as projected current law revenues and spending for FY 2009-11.
- **Preliminary departmental earnings analysis must be completed in BBS by October 15, 2008.**

The preliminary analysis will be the basis for decisions on fee changes. Any proposed fee changes must be submitted as budget initiatives. After the Governor's recommendations are finalized, agencies may be required to revise their preliminary reports and submit a final version. The final reports will be submitted to the Legislature with the other biennial budget documents by January 27, 2009, as required by Minnesota Statute 16A.1285, subdivision 3.

Definitions and Statutes

A. Definition of Departmental Earnings

"Departmental earnings" are defined as any charge for goods and services and any regulatory, licensure, or other similar charges levied by a state agency and paid by individuals, businesses, or other nonstate entities.

B. Cost Recovery Statutory Requirements

Minnesota Statute 16A.1285, subdivision 2, requires all fees to be set at a level that neither significantly over recovers nor under recovers costs. Such costs are to include direct services and overhead costs, unless otherwise provided by law. The statute further requires that recovery of costs be limited to deficits incurred two fiscal years immediately preceding the setting, adjustment or authorization of the departmental earning.

For example, fees established or adjusted in FY 2010 can only recover deficits incurred on or after 7/1/2007. Likewise, fees established or adjusted in FY 2011 can only recover deficits incurred on or after 7/1/2008. See Accumulated Balance Forward section on page seven. Agencies should explore expenditure reductions before requesting a fee increase.

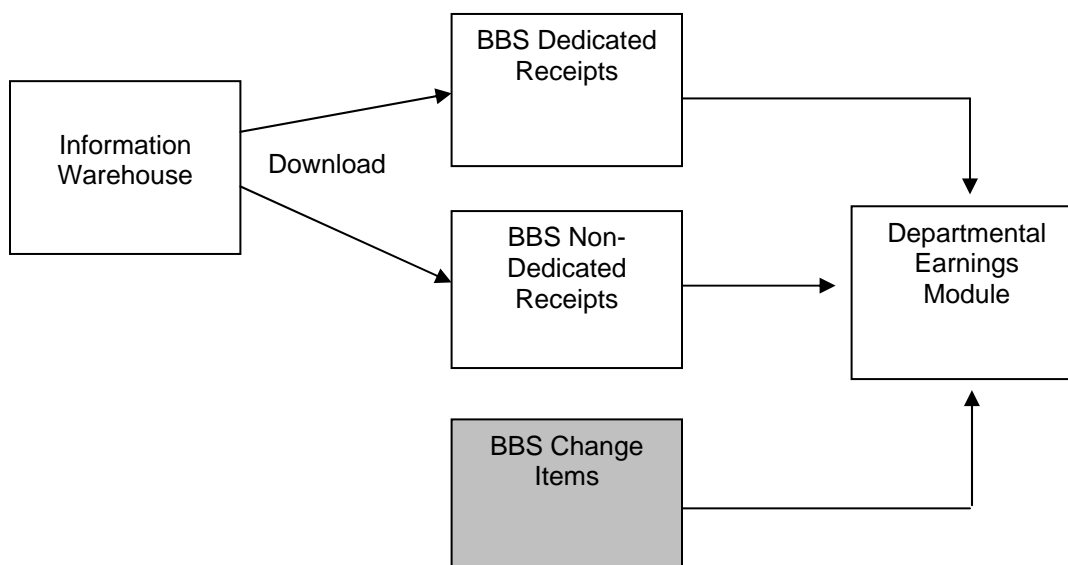
C. Structured Departmental Earnings / Fee Review

Fees or departmental earnings must be reviewed in even-numbered years to provide for a structured

review and to allow for agency input in the fee setting process as set in Minnesota Statute section 16A.1283. All fee changes, i.e., new fees, fee increases and fee decreases must be shown as change items in the biennial budget. A change item is necessary even if the fee change does not require legislative action. This display helps the Legislature to identify all proposed revenue changes involving fees.

Departmental Earnings Module in the Biennial Budget System

The Departmental Earnings module draws receipt data from BBS dedicated and non-dedicated receipts, as well as revenue change items from the BBS change item module. Departmental earnings receipt modifications will be made within BBS, not directly in the departmental earnings module.



Departmental Earnings Module Structure

The Minnesota Accounting and Procurement System (MAPS) revenue source code (RSRC) hierarchical structure will be used to define departmental earnings revenues, group earnings and departmental income type. For information on the MAPS revenue source code hierarchical structure see the MAPS Operations Manual Policies 0208-01 and 0308-01.

1. Revenue Source Receipt Code (RSRC)

All fees and charges collected with a RSRC between 3000 - 7999 are defined as departmental earnings and will be included in the module and report.

2. Revenue Category

The MAPS Revenue category will be used to group or summarize revenue source receipt codes for the purpose of showing cost recovery compliance. Agencies should group "earnings" or assign revenue categories in a way that most accurately shows whether fees and charges are recovering the costs of the activity for which they are collected.

Questions concerning the appropriate aggregation of departmental earnings receipts for cost recovery compliance should be directed to your assigned executive budget officer (EBO) or Kristi Schroedl (651-201-8035)

Departmental Earnings Report Format

The 2010-11 Departmental Earnings Report will include the following information:

- statewide summary of departmental earnings grouped into dedicated and non-dedicated receipts by fund;
- agency summary of departmental earnings grouped into dedicated and non-dedicated receipts by fund (**Figure 1**); and
- revenue category report including departmental earnings fiscal and narrative page for *each* revenue category within an agency (**Figure 2**).

As in the other budget documents, executive branch agencies will display Governor's Recommendations columns and Constitutional offices will display Agency Request columns only for FY 2010 and 2011.

Components of the Revenue Category Report

The components of the Departmental Earnings revenue category report are illustrated in Figure 2 and described below.

1. Revenue Category Header

The header includes the following general information about the revenue category. Regardless of source, all information should be reviewed and updated if necessary.

| Component | Information to Include | Data Source |
|--|---|---|
| <ul style="list-style-type: none"> ■ Revenue category title | MAPS revenue category | Loaded from BBS (cannot be edited from the DE module) |
| <ul style="list-style-type: none"> ■ Revenue category description | Clear, concise description of fees or charges (e.g., fees paid by real estate licensees) | Loaded from 08-09 information entered by agency |
| <ul style="list-style-type: none"> ■ Purpose | Why fees or charges are being collected and what purpose they serve (e.g., to recover the cost of real estate regulation) | Loaded from 08-09 information entered by agency |
| <ul style="list-style-type: none"> ■ Legal citation | Authority to collect all fees and charges within the category | Loaded from 08-09 information entered by agency |
| <ul style="list-style-type: none"> ■ Requesting a fee change | Indicates a proposed change in 10-11 biennial budget | Departmental Earnings module—main screen |
| <ul style="list-style-type: none"> ■ Fund(s) | MAPS funds to which receipts are deposited | Loaded by BBS into the Departmental Earnings module—Dept. Earnings button/revenue detail screen |
| <ul style="list-style-type: none"> ■ Appropriation names(s) | Appropriation ID(s) and name to which receipts are being deposited (if dedicated) | Loaded by BBS into the Departmental Earnings module—Dept. Earnings button/revenue detail screen |

2. Fiscal Information Section

The fiscal information section consists of fiscal data for a given revenue category.

Accumulated Balance Forward

- **Only the FY 2007 Accumulated Balance Forward will be entered by the agency.** Fiscal years 2008-2011 are system calculated and are equal to the preceding year's Accumulated Ending Balance.

- **Entering the 2007 Accumulated Balance Forward:**

Dedicated Receipts

Agencies will have to rely on FY 2006 data when calculating the beginning accumulated balance for FY 2007 for dedicated receipts. This means that the ending accumulated balance will have to be calculated for FY 2006 and used as the beginning accumulated balance for FY 2006. Agencies should keep back up information related to this calculation in case of questions.

Non-dedicated Receipts

Generally, FY 2007 beginning accumulated balance forward amounts for non-dedicated receipts should be shown as zero. The report is limited to illustrating a five-year trend of cost recovery for non-dedicated receipts. However, exceptions are made for non-dedicated receipts that are dedicated to a specific fund and purpose. If there is a significant deficit or surplus accumulated balance, it should be discussed in the agency narrative. Contact your assigned executive budget officers with questions on this issue.

- **Show Accumulated Totals:** The module includes a check box that allows agencies to hide the accumulated balance forward and accumulated ending balance on the screen and the final report. Hiding the balances should only be used when showing a five-year cost recovery trend for a revenue category causes confusion and after consultation with your EBO. Also, a sentence has been added above the table in the fiscal report to clarify that the accumulated balance does not necessarily represent money in an account balance.

Resources

- **Departmental Earnings**

Receipts with a revenue source code between 3000 – 7999 will be subtotaled by dedicated receipts and non-dedicated receipts. Departmental earnings receipts are loaded into the module from BBS. Other resources, resource reductions and expenditures need to be entered into the module by the agency.

- **Other Resources**

Earnings Transferred In

Total dedicated departmental earnings receipts transferred in from other agencies or other revenue categories that are assigned to the revenue category being reported in order to accurately show cost recovery.

Revenue Collected at Other Agency

Total non-dedicated departmental earnings receipts collected by another agency that are assigned to the revenue category being reported in order to accurately show cost recovery.

Other Receipts

Total receipts other than departmental earnings at are assigned to the revenue category being reported in order to accurately show cost recovery.

- **Resource Reductions**

Earnings Transferred Out

Total dedicated departmental earnings receipts transferred out to other agencies or other revenue categories which in order to show cost recovery have reduced resources for the revenue category being reported.

Revenue Collected for Other Agency

Total non-dedicated departmental earnings receipts collected for other agencies which in order to show cost recovery have reduced resources for the revenue category being reported.

- **Expenditures**

Direct

Total amount used to pay salaries and other costs immediately and directly involved in the operating programs and activities for the revenue category being reported. Attorney general costs should be handled as direct expenditures for non-general fund accounts.

Indirect

Total amount used to pay overhead costs for the revenue category being reported. Overhead includes agency indirect costs (i.e., administrative overhead, central support staff, etc.) and statewide indirect costs.

NOTE: Attorney General costs and statewide indirect costs for General fund fee supported activities should be added to indirect costs when calculating cost recovery, Although General fund statewide indirect costs are waived (not payable), agencies must still recover these costs when setting fees.

- **Current Difference**

The Current Difference for a fiscal year is the total of all departmental earnings receipts and other resources less resource reductions and expenditures.

- **Accumulated Ending Balance**

The Accumulated Ending Balance is the Current Difference for a fiscal year plus the Accumulated Balance Forward. The Accumulated Ending Balance is the Accumulated Balance Forward for the following year.

3. **Revenue Category Narrative**

Narratives should be concise and use a bulleted or outlined format, and if possible use the suggested narrative headings shown below.

Background Information

- Who pays the fee or charge
- Which services are supported by the fee or charge
- How the fee or charge is set (e.g., state the fixed rate, describe the formula, and/or discuss the rate-setting process)

Forecast Basis

- Methods used to forecast current law revenues, including factors and assumptions used
- Significant changes to these factors expected in FY 2010-11

Recent Changes

- Any recent revenue changes and the primary factors that lead to the change (e.g., enacted laws or agency-level policy changes that led to recent fee increases or

decreases)

Agency Analysis/Requested Changes

- Provide an explanation if revenues differ significantly from costs and a fee change is not recommended
- Identify the need for any fee changes during the next biennial budget process
- Indicate if a fee change needs to be approved in law or if exempt under 16A.1283. If the fee is exempt under 16A.1283, note which exemption

Comprehensive Inventory of Fees and Charges

Agencies are required to provide detailed fee information in the Departmental Earnings module as narrative section that includes background information for each revenue source receipts code (RSRC) within each revenue category. For each RSRC the following information needs to be provided:

- Number paying the fee in FY 2008
- Date the fee was originally established
- Date fee amount or rate was last changed
- Current fee amount or rate
- Current fee setting authority

Questions and Assistance

To obtain assistance in interpreting and applying policy instructions, contact your assigned executive budget officer. For help using the BBS Departmental Earnings module, please review the FY 2010-11 Training Manual for BBS. Questions in BBS operational issues may be directed to Mary Crossen, Budget Operations unit at 651-201-8042.

Small agencies unable to directly access or enter budget system data into BBS should contact their assigned executive budget officer at the Department of Finance & Employee Relations to make alternative arrangements. Budget Division staff will assist agencies directly with budget system input, or attempt to “partner” the agency with another, larger agency for assistance.

Figure 1 Sample Executive Branch Agency Summary

| COMMERCE DEPT | | | | | | Agency Summary | |
|-------------------------------------|-------------------|-------------------|---------------------|------------------------|--------------------------------|------------------------|--------------------------------|
| (Dollars in Thousands) | Actual FY 2007 | Actual FY 2008 | Budgeted FY 2009 | Current Law FY 2010 | Governor Recomm. FY 2010 | Current Law FY 2011 | Governor Recomm. FY 2011 |
| Non-Dedicated Receipts | | | | | | | |
| General | 66,454 | 87,926 | 84,720 | 85,091 | 84,601 | 86,360 | 85,850 |
| Total Non-Dedicated Receipts | 66,454 | 87,926 | 84,720 | 85,091 | 84,601 | 86,360 | 85,850 |
| Dedicated Receipts | | | | | | | |
| Special Revenue | 11,784 | 13,865 | 17,259 | 15,652 | 15,652 | 15,690 | 15,690 |
| Total Dedicated Receipts | 11,784 | 13,865 | 17,259 | 15,652 | 15,652 | 15,690 | 15,690 |
| Fund Totals | | | | | | | |
| General | 66,454 | 87,926 | 84,720 | 85,091 | 84,601 | 86,360 | 85,850 |
| Special Revenue | 11,784 | 13,865 | 17,259 | 15,652 | 15,652 | 15,690 | 15,690 |
| Departmental Earnings Total | 78,238 | 101,791 | 101,979 | 100,743 | 100,253 | 102,030 | 101,540 |

Figure 2 Sample Agency Revenue Category Fiscal Information and Narrative

| |
|---|
| COMMERCE DEPT |
| FINANCIAL INSTITUTIONS Fiscal Report |

| | |
|--|------------------------------------|
| Revenue Category Description: Fees charged for regulation of financial institutions. | Requesting a Fee Change: No |
| Purpose: To recover the cost of regulation of banks, trust companies, credit unions, consumer credit companies and mortgage originators. | Fund: General |
| Legal Citation(s): M.S. 46, 47, 48, 52, 53, 53A, 55, 56, 58, 59, 168, and 332 | Appr. Name: |

The beginning and ending accumulated balances do not necessarily represent amounts in an account balance, but are shown to illustrate a five-year trend of cost recovery.

| Revenue Category Summary (Dollars in Thousands) | Actual FY 2007 | Actual FY 2008 | Budgeted FY 2009 | Current Law FY 2010 | Governor Recomm FY 2010 | Current Law FY 2011 | Governor Recomm FY 2011 |
|--|-------------------|-------------------|---------------------|---------------------------|-------------------------------|---------------------------|-------------------------------|
| Accumulated Balance | 76 | 399 | 1,308 | 1,800 | 1,800 | 2,710 | 2,710 |
| Resources: | | | | | | | |
| Departmental Earnings: | | | | | | | |
| Dedicated Receipts | 66 | 97 | 66 | 95 | 95 | 66 | 66 |
| Non Dedicated Receipts | 5,121 | 5,884 | 5,407 | 5,757 | 5,757 | 5,407 | 5,407 |
| Total Departmental Earnings | 5,187 | 5,981 | 5,473 | 5,852 | 5,852 | 5,473 | 5,473 |
| Other Resources: | | | | | | | |
| Earnings Transferred In | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Rev Collected at Another Agency | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Receipts | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Resource Reductions: | | | | | | | |
| Earnings Transferred Out | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Earnings Collected for Another Agency | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Current Year Resources | 5,187 | 5,981 | 5,473 | 5,852 | 5,852 | 5,473 | 5,473 |
| Expenditures: | | | | | | | |
| Direct Expenditures | 4,214 | 4,358 | 4,335 | 4,295 | 4,295 | 4,283 | 4,283 |
| Indirect Expenditures | 650 | 714 | 646 | 647 | 647 | 649 | 649 |
| Total Expenditures | 4,864 | 5,072 | 4,981 | 4,942 | 4,942 | 4,932 | 4,932 |
| Current Year Difference | 323 | 909 | 492 | 910 | 910 | 541 | 541 |
| Accumulated Ending Balance | 399 | 1,308 | 1,800 | 2,710 | 2,710 | 3,251 | 3,251 |

Figure 2 (continued)

COMMERCE DEPT**FINANCIAL INSTITUTIONS**

Narrative

Background Information:

The department, as required by statute, recovers 103% of the cost of examining of financial institutions, including banks, credit unions, trust companies, and consumer credit companies. The department recovers the direct costs of each examination by charging an hourly rate. Institutions also pay transaction fees for services and certifications provided by the department. At the end of each fiscal year, all costs that have not been recovered are assessed to the institutions.

This earnings category also includes revenue and expenses related to mortgage originators and money transmitters.

Forecast Basis:

The forecast is based on historical data and patterns over the past three years.

Recent Changes:

None

Agency Analysis/Requested Changes:

The department recommends no change in fees at this point in time.