



# Minnesota Management & Budget Statewide Operating Policy

Minnesota Management and Budget, Budget Division

Issued: July 1, 2011

Number 0305-01

Revised:

---

## Fees / Departmental Earnings Review

### Objective

To ensure the review of fees during the even-numbered year so that agency earnings are maintained at a level that will approximate the cost of the activity for which they are collected and to provide recommendations for fee changes in the next Governor's budget process as necessary in accordance with Minnesota Statutes 16A.1283 and 16A.1285.

### Policy

#### Cost Recovery Statutory Requirement

[Minnesota Statute 16A.1285](https://www.revisor.mn.gov/statutes/?id=16A.1285) (<https://www.revisor.mn.gov/statutes/?id=16A.1285>) requires that departmental earnings or fees must be set at a level that neither significantly over recovers nor under recovers costs, including overhead costs, involved in providing the services, unless otherwise provided by law. Generally, the recovery of costs must be limited to deficits incurred two fiscal years immediately preceding the setting, adjustment or authorization of the fee/departmental earning. This time period is referred to as a "look back period."

For example, fees established or adjusted in FY 2012 can only recover deficits incurred on or after 7/1/2009. Likewise, fees established or adjusted in FY 2013 can only recover deficits incurred on or after 7/1/2010. Agencies should explore expenditure reductions before requesting fee increases. Some fees may have a different look back period specified in statute.

#### Structured Fee / Departmental Earnings Review

Fees or departmental earnings must be reviewed biennially in the 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 16A.1283](https://www.revisor.mn.gov/statutes/?id=16A.1283) (<https://www.revisor.mn.gov/statutes/?id=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. Requiring that all fee changes be displayed as change items will allow the budget to identify all proposed revenue changes involving fees.

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.

### Definitions

Departmental Earnings are defined in Minnesota Statute 16A.1285 as any charge for goods and services and any regulatory, licensure, or other similar charges levied by a state agency and paid by individuals, business, or other non-state entities. Departmental Earnings in the Statewide Integrated Financial Tools (SWIFT) System are defined as revenue accounts within the range 600001-699999.

Fees are defined in Minnesota Statute 16A.1283 as any charge for goods, services, regulation, or licensure, including charges for admission to or for use of public facilities owned by the state.

### **See also**

[Minnesota Statutes 16A.1283 and 16A.1285](https://www.revisor.mn.gov/statutes/?id=16A) (https://www.revisor.mn.gov/statutes/?id=16A)

[Governor's Budget Instructions and Forms – Part D - Departmental Earnings](https://www.mn.gov/mmb/budget/budget-instructions/bibudprep/) – September of even-number years (https://www.mn.gov/mmb/budget/budget-instructions/bibudprep/)

Questions concerning the appropriate aggregation of departmental earnings for cost recovery compliance should be directed to your assigned executive budget officer (EBO).