



MINNESOTA

BOARD OF SOCIAL WORK

Protecting the Public

BOSW ANNUAL BUDGET REPORT

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CURRENT BUDGET CYCLE STATUS

- **Close of FY 2016-FY2017 Biennium:**
 - Close FY 2017 (July 1, 2016-June 30, 2017) and close of the biennium
 - Expenses “close of books” occurred August 2017; however, a few expenditures are still encumbered and not yet paid, as work or product not delivered
 - Unspent FY 2017 operational funds are deposited in the BOSW State Government Special Revenue Fund (SGSRF) accumulated balance
- **Begin new FY 2018-FY 2019 Biennium:**
 - Begin FY 2018 (July 1, 2017-June 30, 2018) and new biennium

NEW BIENNIUM FY 2018 – FY 2019

Section 1: FY 18 & FY 19 Biennial Budget Appropriation

Budget and Appropriation for FY 2018 & FY 2019		
	FY 2018	FY 2019
Annual Base Budget-Operational Expenses ¹	1,254,000	1,246,000
Total Appropriation	1,254,000	1,246,000
Annual Indirect Expenses	417,052	417,052
Total Annual Budget	1,671,052	1,663,052
¹ The FY 18 and FY 19 appropriation included additional spending authority of \$99,000 based on approved change items: 1) salary increase .7 FTE to 1.0 FTE; 2) new 1.0 FTE; 3) jurisprudence exam and outreach; 4) MN.IT costs; 5) transfer \$98,000 MN.IT salary from BOSW to ASU budget. Governor’s proposed fee adjustment increase did not pass.		

CLOSE OF BIENNIUM FY 2016 – FY 2017

Section 1: Biennial Budget Appropriation

Budget and Appropriation for FY 2016 & FY 2017		
	FY 2016	FY 2017
Annual Base Budget-Operational Expenses ¹	1,141,000	1,155,000
Total Appropriation	1,141,000	1,155,000
MN.IT Odyssey IT Interagency Agreement FY 16 & FY 17 ²	7,500	12,500
Annual Indirect Expenses	252,000	279,000
Legal Cost Account ³	8,378	22,503
Retirement Costs ⁴	0	16,025
Total Annual Budget	1,408,878	1,597,582
<p>¹FY 16 and FY 17 appropriation included annual total compensation increase of 1.8% in FY 2016 and FY 2017.</p> <p>²FY 16 budget includes \$7,500, FY 17 includes \$12,500 Odyssey Interagency Agreement with MN.IT for professional/technical contracting for transition and possible enhancements to new ALIMS licensing system. Funds transferred from FY 15 and FY 17 direct operational budget based on actual revenues in excess of anticipated revenues.</p> <p>³Administrative Services Unit (ASU) appropriation of \$200,000 in FY 16 and FY 17 for unanticipated contested case hearing and legal proceeding expenses incurred by health-related licensing boards.</p> <p>⁴Retirement costs paid from board operations through board account and transfer of additional funds established by ASU, and recharge operations moving expense to retirement account.</p>		

Section 2: Revenues

FY 17 Total Revenue – Fund 1201			
Anticipated	Actual	Actual Revenue Percentage	Overage/Deficit
1,309,652	1,361,476	104%	51,824 (over anticipated) ¹
<p>¹“Overage” revenue (direct operational funds) at close of biennium are deposited in the SGSRF.</p>			
FY 17 Total Revenue - Criminal Background Check – Fund 2000			
Anticipated	Actual	Actual Revenue Percentage	Overage/Deficit
25,000	16,935	68%	8,065 (under anticipated) ¹
<p>¹MN BCA funds collected by the BOSW are deposited in a separate “pass through” fund paid directly to the MN BCA. MN BCA sets the fee amount. BCA checks are required only once, at time of first application.</p>			

Section 3: Direct Operational Expenditures

Direct Operational Expenditures – Fund 1201			
FY 17 Appropriations (for direct operational expenses)	FY 17 Actual Direct Operational Expenses (as of 8/31/17)	FY 17 Actual Direct Expenditure Percentage	Encumbered (pending invoice and payment)
Appropriation 1,155,000 ¹	1,085,533	87%	10,258 ²
Legal Cost Account 22,503 ³	22,503	100%	

¹ Appropriation for direct operational expenditures.
² Expenditures still encumbered and not yet paid, as work or product not yet complete.
³ Administrative Services Unit (ASU) appropriation of \$200,000 in FY 16 and FY 17 for unanticipated contested case hearing and legal proceeding expenses incurred by health-related licensing boards.

US Bank Credit Card Fees – Direct Operational Expenditures						
FY 11	FY 12	FY 13	FY 14	FY 15	FY 16	FY 17
14,278	14,562	14,213	13,035 ¹	14,149	13,744 ²	3,699 ³

¹ Credit card fees decreased as the processing fee changed from .21 to .18 cents and the \$150.00 per monthly fee was eliminated.
² US Bank charges 1.85% of the service fee and .18 cents per transaction.
³ Board no longer pays online credit card fees as of December 2016, with deployment of new licensing system. Total credit card costs \$16,163; collected \$12,463; BOSW paid \$3,699.

Direct Operational Expenditures: Direct expenses are paid from the appropriation approved by the Legislature. These include items such as employee salaries, rent, repairs, printing, communications, in-state and out-state travel, board member per diems, computer services, supplies, equipment, professional-technical contracts, and US Bank online renewal and application services credit card processing fees.

MN.IT Expenses: MN.IT technology budget expenditures including hardware, software, salary and services are included in direct operational expenditures.

Online Service Credit Card Processing Fees: The Board took action and voted unanimously at its July 15, 2016 meeting to no longer pay for the US Bank online credit card transaction fees from its direct appropriation operational funds. This change is based on budget projections, which predict possible deficit spending in fiscal year 2018.

The Board paid all credit card processing fees, from the inception of online services in 2004 up until mid-December 2016, for applicant and licensee online transactions for online license application and online renewal services. Beginning December 2016, with the deployment of the new licensing system, individuals using the Board’s online services are directly charged the credit card transaction fees. This fee is itemized for customers in the US Bank transaction step in the online services. The total paid to US Bank includes credit card processing fees and a charge per transaction fee.

Legal Cost Account - Fund 1201: Minnesota Session Law 2015, Chapter 71, Article 14, Section 4, subd. 8, provides an appropriation to the Administrative Services Unit (ASU) of \$200,000 in fiscal years 2016 and 2017 to be used for costs of contested case hearings and other unanticipated legal proceedings involving health-related licensing boards. In these events, ASU may transfer funds from this appropriation to the board with approval of the commissioner of management and budget. Any transfer of funds is a direct expense and must be covered by revenues collected. These expenses may include professional/technical contracts, court reports, printing, Office of Administrative Hearings, and board member per diem expenses.

Section 4: Indirect Expenditures

FY 17 Indirect Expenses			
Budgeted Indirect Costs	Expended	Estimated Indirect Expenditure Percentage	Estimated Expended Over Budgeted
283,305	336,812 ¹	119%	53,507 (over budget)
¹ BOSW not charged statewide indirect costs for FY 17 budgeted at 18,000.			

Indirect Expenditures: Include Attorney General Office (AGO), Administrative Services Unit (ASU), Health Professional Services Program (HPSP), and others, and are not paid out the direct operational appropriation. Ultimately, indirect expenditures are paid from revenues collected, which are deposited in the BOSW accumulated balance in the SGSRF.

Health Professionals Services Program (HPSP): HPSP is funded almost entirely (98%) by the health-licensing boards, whose income is generated through licensing fees. Each board pays an annual participation fee of \$1,000 and a pro rata share of program expenses based upon number of licensees enrolled. The average annual cost per HPSP participant is approximately \$1,000, which is charged to the licensing board. There is no cost to the participant except for toxicology screens, if required.

Health Professionals Services Program (HPSP) Indirect Expenses								
	FY 10	FY 11	FY 12	FY 13	FY 14	FY 15	FY 16	FY 17
Budgeted	24,000	24,000	16,000	16,000	24,000	24,000	24,000	26,000
Spent	15,700	15,803	15,938	16,813	15,808	24,323	25,572	32,294
% Spent	65%	66%	99.6%	106%	66%	101%	106.5%	123%

Administrative Services Unit (ASU): ASU is funded by all the independent Health-Licensing boards (HLBs) and performs shared administrative and business services for all boards, including finance, budgeting, accounting, purchasing, reporting, banking, human resources, professional and technical contracts, information technology, and payroll. ASU’s annual budget is determined by the Executive Directors’ Forum, and ASU oversight is assigned on a rotating basis to one of the HLBs.

Administrative Services Unit (ASU) Indirect Expenses

	FY 10	FY 11	FY 12	FY 13	FY 14	FY 15	FY 16	FY 17
Budgeted	47,924	50,347	58,000	58,000	60,000	60,000	60,000	78,624
Spent	41,886	50,587	44,358	48,659	51,984	76,083	74,554	91,349
% Spent	87%	100.5%	76%	84%	87%	114%	111%	116%

Attorney General Office (AGO): Minnesota Statutes, Section 214.103 requires that legal and investigative services be provided by the Minnesota Office of the Attorney General (AGO). Historically AGO expenses peaked in 1999 at approximately \$206,583; decreased to an all-time low in 2002 at \$37,363; remained relatively steady until 2009 at approximately \$68,000; and have continued to increase.

Attorney General Office (AGO) Indirect Expenses

	FY 10	FY 11	FY 12	FY 13	FY 14	FY 15	FY 16	FY 17
Budgeted	85,000	85,000	97,000	97,000	150,000	150,000	150,000	150,000
Spent	81,182	82,256	149,161	130,123	166,608	165,137 ¹	159,478 ²	208,396
% Spent	95.5%	97%	154%	134%	108%	111%	116%	139%

¹ FY 2015 AGO indirect expenses exceeded the budgeted amount by \$65,137 or 110%. The overage in the FY 2015 AGO budget was absorbed by the AGO.

² FY 2016 AGO total indirect expenses were exceeded by all HLBs. BOSW actual expenditures for FY 2016 were \$174,272 or 116%. Based on all board expenditures BOSW costs were reduced by \$14,794. BOSW expenditures, after the reduction, exceeded the budgeted amount by \$9,478 or 106%.

HISTORICAL & ADDITIONAL BUDGET DATA

Section 1: Administrative License Late Fee Effective July 1, 2015

Although the Board has always had the authority to take action against unlicensed practice, early definitions of social work practice were viewed as too vague to allow strong enforcement. In 2009, the legislature passed an amendment to the definition of social work practice (Minn. Stat. 148E.010, subd. 11) tying the definition of social work practice to an individual’s social work degree. This change took effect in August 2011. Following the strengthening of the social work practice definition, the Board began a concerted effort to enforce unlicensed practice.

The compliance review process for unlicensed practice, up until January 2016, required a significant amount of time, resources and money to bring each case to a final resolution. While recognizing the seriousness of needing to be licensed and ultimately the licensee’s responsibility to know whether their position requires a license, Board members often expressed a desire for a non-disciplinary option that more effectively balanced enforcement with the violation. Based on a Board legislative proposal in 2015 the Legislature created an administrative license late fee as an alternative to disciplinary action as a strategy to enforce unlicensed practice. Although this is a non-disciplinary option, the Board maintains the legal authority to impose discipline for unlicensed practice.

*Minnesota Statutes section 148E.180, subdivision 5. **Late fees.** Late fees are as follows:
(3) license late fee, \$100 plus the prorated share of the license fee specified in subdivision 2 for the number of months during which the individual practiced social work without a license.*

The administrative license late fee was effective July 1, 2015. The Board determined the most efficient and consistent method to implement the license late fee was to apply it to *all* unlicensed practice cases, where the unlicensed practice is identified by the board after the law’s effective date. The implementation of the innovative, administrative license late fee has produced 1) direct and indirect cost savings, 2) increased revenue, and 3) increased awareness and compliance.

BOSW Administrative License Late Fee Revenue

FY 17 ¹	FY 18	FY 19	FY 20	FY 21	FY 22	FY 23
30,392						

¹ First full fiscal year collection of license late fee.

Section 2: E-Licensing Surcharge

A law passed by the 2009 Minnesota Legislature, initiated by the Minnesota Office of Enterprise Technology (OET), (now MN.IT) required a 10% surcharge of no less than \$5 and no more than \$150 on each business, commercial, professional or occupational license, beginning July 1, 2009 through June 30, 2015. The E-Licensing surcharge expired on June 30, 2015 and is no longer assessed.

During FY 2010, the first year of the OET surcharge, the Board took action to transfer funds from the BOSW accumulated balance in the SGSRF directly to OET, rather than assess the OET surcharge to licensees. Beginning FY 2011, due to significant decreases in the BOSW accumulated balance in the SGSRF fund, the Board determined to assess the OET fee directly to licensees.

The following data demonstrates the BOSW E-Licensing Surcharge charges collected from the BOSW in FY 2011, and charges collected from licensees from FY 2011-FY 2016.

BOSW E- Licensing Surcharge Contributions						
FY 10	FY 11	FY 12	FY 13	FY14	FY 15	FY 16 Total
80,279 ¹	109,460 ²	86,119 ²	94,298 ²	97,697 ²	104,156	572,009 ²
¹ Actual E-Licensing surcharge amount paid by transfer from BOSW accumulated balance in SGSRF to OET. ² Actual E-licensing surcharge amounts collected from BOSW licensees and paid to OET/MN.IT. FY 17 totals not reported to HLBs.						

The 2012 Minnesota Sunset Commission required the Department of Administration to study and submit a report and recommendations to the Legislature regarding the best HLB licensing systems. Based on the report the BOSW was required to implement a new licensing system, which occurred in December 2016. The following data demonstrates the charged collected by the BOSW, total charges collected by all HLBs, and the E-Licensing Surcharge Funds provide to the BOSW and other HLBs to develop and deploy the required new licensing systems.

Summary Data: BOSW E-Licensing Collected and Licensing Project Funding	
BOSW contributions to E-Licensing Surcharge	572,009
MN.IT contribution to the BOSW licensing project, from E-Licensing funds	385,040
BOSW contribution to the BOSW licensing project	20,000
Total licensing system budget	405,040

Health Licensing Boards (HLBs) Surcharge Collected and New Licensing System Funding		
Total Collected HLBs FY10-FY15	Total Used HLBs FY14-FY16	Unused
12,074,414	3,186,996 ¹	8,887,418 ¹
¹ FY 17 totals not reported to HLBs.		

Section 3: BOSW Budget Strategy “Cost of Doing Business” and Intentional Spend-down of SGSRF Accumulated Balance

FY 2000 44% Fee Increase Due to SGSRF Negative Balance: The board determined it necessary to increase fees in 2000 due to the board’s negative budget balance in the SGSRF. The fee increase caused a positive budget balance, the unintentional over collection of revenues, and the increase of the BOSW SGSRF accumulated balance.

SCOBO and “Cost of Doing Business” Fiscal Strategy: The Board convened a Special Committee on Board Operations (SCOBO) in 2002 to review and make recommendations regarding Board operations. SCOBO recommended a “cost of doing business” fiscal model, rather than the more traditional “build up and spend down” model which the Board had been implementing.

FY 2006 & FY 2009 30% Fee Reduction: The new “cost of doing business” fiscal strategy included an intentional reduction of fees. Based on Legislative approval the board intentionally reduced it fees by 20% effective January 1, 2006, and by an additional 10% in July 2009. These fiscal strategies provided greater fiscal transparency, greater compliance with the statutory requirement that revenues and expenditures are closely balanced, and caused a “spend-down” of the accumulated balance in the BOSW SGSRF by under-collecting revenue.

Section 4: Legislature Transfer of SGSRF Funds

Beginning in FY 2004 through FY 2012 the Legislature transferred funds from the HLB SGSRF accumulated balance to the State General Fund, as described in section 4C below. The result was the unintentional, simultaneous “spend-down” of the BOSW SGSRF balance by both the Board and Legislature. The result of the Legislative transfer of funds caused a significant decrease in the BOSW accumulated SGSRF balance, and created the possibility of a necessary fee increase on the horizon. Given the trend for several years of 1) sound fiscal mission driven management resulting in decreased expenditures, and 2) increased revenues that offset the intentional spend-down, the BOSW SGSRF balance has remained relatively stable for several years.

The Board continues to monitor the balance in the BOSW SGSRF. Budget projections for FY 2018 and beyond indicate deficit spending and a dangerously low accumulated balance, which caused the Board to approve a fee adjustment increase in the proposed FY 2018-FY 2019 that was not passed into law.

Transfers of Health Licensing Boards (HLBs) SGSRF to General Fund

Fiscal Year	Total HLB Amount	BOSW Allocation
FY 04-05	3,500,000 (million)	374,875
FY 08	3,219,000	205,687
FY 10 (enacted 2010)	591,000	51,321
FY 11 (enacted 2010)	3,052,000	180,660
FY 12 (enacted 2009)	6,000,000	620,244
Total Transfers	16,362,000	1,432,787

Section 5: SGSRF Accumulated Balance

BOSW Accumulated Balance and Projected Balance in SGSRF

FY 09	FY 10	FY 11	FY 12	FY 13	FY 14	FY 15	FY 16	FY 17
1,588,564 ¹	1,457,994 ¹	659,295 ¹	637,797 ¹	596,283 ¹	561,450 ¹	534,869 ¹	512,364 ¹	\$409, 882 ²

¹ Actual accumulated balance in BOSW SGSRF.

² Estimated accumulated balance in BOSW SGSRF for FY 17, due to encumbered funds not yet paid.

SGSRF Projections for FY 18 & FY 19:

- FY 18 projected SGSRF balance: \$46,961
- FY 19 projected SGSRF balance: (\$300,263) negative balance

Section 6: Surplus/Shortfall History

Actual BOSW Surplus/Shortfall History						
Fiscal Year	Budgeted Revenues	Budgeted Expenditures	Budgeted surplus/(shortfall)	Actual Revenues	Actual Expenditures	Actual surplus/(shortfall)
07	964,000	1,095,486	(131,486)	1,051,082	974,098	76,984
08	977,000	1,120,460	(143,460)	1,042,005	976,429	65,576
09	977,000	1,149,738	(172,739)	1,100,347	1,085,868	14,479
10	971,000	1,105,000	(134,000)	916,591	994,788	(78,198)
11	971,000	1,108,081	(137,082)	1,074,937	1,071,005	3,932
12	974,000	1,226,925	(252,925)	1,035,198	1,055,871	(20,672)
13	991,000	1,260,688	(269,688)	1,143,384	1,183,039	(40,758)
14	1,041,000	1,054,000	(13,000)	1,181,143	1,210,591 ¹	(29,448)
15	1,120,500	1,054,000	(341,000)	1,262,010	1,237,627	24,383
16	1,236,000	1,393,000	(157,000)	1,297,683	1,319,558	(21,874)
17	1,309,652	1,527,529	(166,053)	1,361,476	1,463,958	(102,482)
Total surplus/(shortfall) for these years						(108,078)¹
¹ Estimated balances as FY 17 data not final for encumbered funds and indirect expenditures.						

Section 7: Legal Authority for Fees

MS Chapter 148E.175 and MS 148E.180: The Board's Practice Act, MS Chapter 148E.175 specifies fees are nonrefundable and must be deposited in the SGSRF. MS Chapter 148E.180 specifies the fee amounts charged by the Board.

MS Chapter 214.06: MS Chapter 214.06 governs Health Licensing Board fees, as specified below.

214.06 FEES; LICENSE RENEWALS.

Subdivision 1. Fees to recover expenditures. The commissioner of health as authorized by section [214.13](#) and all health-related licensing boards and non-health-related licensing boards shall propose or adjust any fee according to section [16A.1283](#). As provided in section [16A.1285](#), the fees shall be an amount sufficient so that the total fees collected by each board will be based on anticipated expenditures, including expenditures for the programs authorized by sections [214.10](#), [214.103](#), [214.11](#), [214.17](#) to [214.24](#), [214.28](#) to [214.37](#), and [214.40](#), except that a health-related licensing board may have anticipated expenditures in excess of anticipated revenues in a biennium by using accumulated surplus revenues from fees collected by that board in previous bienniums. A health-related licensing board may accumulate up to one year of operating funds, and then shall propose a fee reduction according to section [16A.1283](#). A health-related licensing board shall not spend more money than the amount appropriated by the legislature for a biennium. For members of an occupation registered after July 1, 1984, by the commissioner of health under the provisions of section [214.13](#), the fee established must include an amount necessary to recover, over a five-year period, the commissioner's direct expenditures for adoption of the rules providing for registration of members of the occupation. All fees received shall be deposited in the state treasury.

Subd. 1a. Health occupations licensing account.

(a) Fees received by the commissioner of health or health-related licensing boards must be credited to the health occupations licensing account in the state government special revenue fund. The commissioner of management and budget shall ensure that the revenues and expenditures of each health-related licensing board are tracked separately in the health occupations licensing account.

(b) The fees collected must be used only by the boards identified in section [214.01](#), subdivision 2, and only for the purposes of the programs they administer. The legislature must not transfer money generated by these fees from the state government special revenue fund to the general fund. Surcharges collected by a health-related licensing board under section [16E.22](#) are not subject to this subdivision.

Subd. 1b. Health-related licensing boards; surcharges.

When a health-related licensing board imposes a surcharge, the surcharge must not be incorporated as a fee increase, but must be made as a separate assessment to be paid by the individuals regulated by the board.

Subd. 2. License renewal.

Notwithstanding any law to the contrary, each health-related and non-health-related licensing board shall promulgate rules providing for the renewal of licenses. The rules shall specify the period of time for which a license is valid, procedures and information required for renewal, and renewal fees to be set pursuant to subdivision 1.

Subd. 3. [Repealed, [1997 c 187 art 5 s 36](#)]