



**MINNESOTA**

**BOARD OF SOCIAL WORK**

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*Protecting the Public*

# BOSW ANNUAL BUDGET REPORT

Presented January 17, 2020

2829 University Ave SE Ste 340

Minneapolis MN 55414-3239

612-617-2100 | 612-617-2103 (fax)

[social.work@state.mn.us](mailto:social.work@state.mn.us) | [mn.gov/boards/social-work](http://mn.gov/boards/social-work)

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# BUDGET OVERVIEW

## HOW IS THE BOARD FUNDED?

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- BOSW is entirely fee supported by:
  - Application, license and renewal fees, continuing education provider fees
- BOSW receives no general fund, or tax dollars
- All fees collected must be deposited in the State Government Special Revenue Fund (SGSRF)
- Fees collected must cover all BOSW expenses, including both “direct” and “indirect” expenses

## WHAT IS THE BOSW BUDGETING PROCESS?

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- State agencies have a two-year (biennial) budget period, including two separate fiscal years:
  - July 1 in odd-numbered years to June 30 in even-numbered years
- State agencies develop budget proposals in fall of every other even-numbered year
- BOSW budget proposal must be reviewed and approved by the BOSW Finance Committee, and BOSW Board and submitted to:
  - Minnesota Management Budget for review and approval
  - Governor’s Office for review and approval
  - Both Legislative House and Senate for review, public hearings, and approval
- Legislature approves a biennial budget “appropriation” which sets a cap on funds the agency can spend for operational, or day-to-day expenses
- Any unspent revenue is deposited in the BOSW SGSRF to fund all indirect expenses and serve as a reserve
- Legislature and state law recommend one-year’s operating balance in reserve before fees are reduced

## WHAT ARE THE BOSW EXPENSES?

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- “Direct expenses” are funded through the Legislative appropriation and include day-to-day expenses for staff salaries, rent, communications, supplies, board per diems, IT services, business travel
- “Indirect expenses” are funded through the SGSRF reserve and include payments to other state agencies for services, including the Attorney General’s Office for required legal fees, the Board’s largest indirect expense, and the Health Professional Services Program (HPSP), a diversion program for impaired licensees

## CURRENT BUDGET CYCLE STATUS

- **Close Fiscal Year and Close Biennium: FY 2018-FY 2019:**
  - July 1, 2017-June 30, 2019
  - Close second fiscal year FY 2019 of biennium - 2019-July 1, 2018-June 30, 2019
  - Closed biennium June 30, 2019
  - Expenses “close of books” occurred mid-August 2019
  - Generally, a few expenditures are still encumbered and not yet paid, as work or product not delivered or completed by “close of books” date
  - Unspent FY 2019 operational funds cancel back to the accumulated balance in the State Government Special Revenue Fund (SGSRF)
- **Begin New Fiscal Year and New Current Biennium: FY 2020-FY 2021:**
  - July 1, 2019 – June 30, 2020
  - Begin first fiscal year of biennium- FY 2020 July 1, 2019 - June 30, 2020
  - FY 2020 appropriation \$1,437,000
  - FY 2021 appropriation \$1,404,000
  - Close biennium June 30, 2021

# CLOSE BIENNIUM FY 2018 – FY 2019

## SECTION 1: FY 18 & FY 19 BIENNIAL BUDGET APPROPRIATION

APPROPRIATION AND BUDGET FOR FY 2018 & FY 2019		
	FY 2018	FY 2019
Annual Base Budget-Operational Expenses <sup>1</sup>	1,268,000 <sup>2</sup>	1,246,000
<b>Total Appropriation</b>	1,268,000	1,246,000
<b>Annual Indirect Expenses</b>	417,052	417,052
<b>Other Budget Funds/Expenses</b>		
MN.IT Odyssey IT Interagency Agreement	0	15,000
Legal Cost Account	0	0
Retirement Costs	0	0
<b>Total Annual Budget</b>	1,671,052	1,663,052
<p><sup>1</sup>The FY 18 and FY 19 appropriation, of \$1,254,000, included additional spending authority of \$99,000 based on approved change items: 1) staffing changes .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 in the 2017 or 2018 session.</p> <p><sup>2</sup>The FY 18 and FY 19 appropriation, of \$1,254,000, was increased to \$1,264,000 during FY 18, based on additional legislative appropriations to the Health Licensing Boards Administrative Services Unit appropriation, an increased appropriation to State Agencies related to funding employee pensions, and MN.IT service fee adjustments.</p>		

# CLOSE OF FY 2019

## SECTION 1: REVENUES

FY 19 TOTAL REVENUE – FUND 1201			
Anticipated	Actual	Actual Percentage	Overage/Deficit
1,413,624	1,469,244	104%	55,620 (over anticipated) <sup>1</sup>
<sup>1</sup> “Overage” revenue (direct operational funds) at close of biennium are deposited in the SGSRF.			

**Revenue Fee Types:** Revenues are based exclusively on fees the Board is authorized to assess and collect. Revenue sources include:

- Licensure application fees
- Original license fees
- Temporary license fees
- License renewal, alternate license, and reactivation fees
- Continuing education provider fees
- Miscellaneous public mailing lists
- Miscellaneous disciplinary fines
- License verification fees
- License late fees
- Duplicate license cards and certificate fees

FY 19 TOTAL REVENUE - CRIMINAL BACKGROUND CHECK – FUND 2000			
Anticipated	Actual	Actual Revenue Percentage	Encumbered (pending invoice and payment)
20,000	46,495	232% <sup>1</sup>	0 <sup>2</sup>
<sup>1</sup> Anticipated amount based on \$15 criminal background check (CBC) fee; actual fee amount \$32 effective November of 2017.			
<sup>2</sup> MN BCA and FBI funds collected by BOSW are deposited in a separate “pass through” fund, Fund 2000, paid directly to the MN BCA. MN BCA and FBI set the fee amount. Board implemented fingerprint based criminal background checks November 2017 to comply with MS 214.075.			

## SECTION 3: DIRECT OPERATIONAL EXPENDITURES

### FY 19 DIRECT OPERATIONAL EXPENDITURES – FUND 1201

Appropriations (for direct operational expenses)	Actual Budgeted Amount	Actual Direct Operational Expenses	Actual Direct Expenditure Percentage	Encumbered (pending invoice and payment)	Unspent Appropriation
Appropriation 1,246,000	1,426,170 <sup>1</sup>	1,162,256	93%	10,236 <sup>2</sup>	279,585 <sup>3</sup>
Legal Cost Account <sup>4</sup>	-	-	-	-	-
Retirement Account <sup>5</sup>	-	-	-	-	-

<sup>1</sup> The FY 19 actual budget of \$1,246,000, was increased by \$180,170, based on the “carry forward” of unspent funds from the FY 18 fiscal year.

<sup>2</sup> Funds still encumbered for MN.IT Centralized IT Services.

<sup>3</sup> Unspent direct appropriation funds cancel back to the State Government Special Revenue Fund (SGSRF). However, cancelled funds are not fully actualized “savings” as these funds must cover 1) indirect expenditures, and 2) planned spend down from 2006-2019 of the accumulated balance in the SGSRF, which intentionally brought in less revenue than the anticipated direct and indirect expenditures.

<sup>4</sup> Legal Cost Fund, for unanticipated contested case hearing and legal proceeding expenses incurred by health-related licensing boards, is administered by Administrative Services Unit (ASU). BOSW did not apply for fund FY 2019.

<sup>5</sup> Retirement Fund not applicable in FY 2019.

**Direct Operational Expenditures:** Direct expenses are paid from the appropriation approved by the Legislature and enacted by the Governor. Direct expenditures include:

- Employee salaries
- Rent
- Repairs, supplies, equipment, and equipment non-capital
- Communications, printing and advertising
- In-state and out-state travel
- Board member per diems
- MN.IT centralized IT services
- Professional-technical contracts, Office of Administrative Hearings
- Employee and board member development
- Other operations, US Bank online renewal and application services credit card processing fees

## US BANK CREDIT CARD FEES – DIRECT OPERATIONAL EXPENDITURES FUND 1201

FY 11	FY 12	FY 13	FY 14	FY 15	FY 16	FY 17	FY 18	FY 19
14,278	14,562	14,213	13,035 <sup>1</sup>	14,149	13,744 <sup>2</sup>	3,699 <sup>3</sup>	0 <sup>4</sup>	0 <sup>5</sup>

<sup>1</sup> Credit card fees decreased as the processing fee changed from .21 to .18 cents and the \$150.00 per monthly fee was eliminated.

<sup>2</sup> US Bank charges 1.85% of the service fee and .18 cents per transaction.

<sup>3</sup> 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.

<sup>4</sup> Board paid no credit card fees in FY 2018. Applicants and licensees paid \$18,218 in FY 2018.

<sup>5</sup> Board paid no credit card fees in FY 2019. Amount applicants and licensees paid in FY 2019 not available at this time due to transition from ASU to SmART in August 2019.

**Online Service Credit Card Processing Fees:** The Board 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 was based on budget projections, which predicted possible deficit spending in fiscal years 2018 and 2019.

The Board paid all credit card processing fees for applicant and licensee online transactions for online license application and online renewal services, from the inception of online services in 2004 up until mid-December 2016. 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.

**Other Dedicated Accounts:**

**H7L Legal Cost Account - Fund 1201:** Minnesota Session Law 2015, Chapter 71, Article 14, Section 4, subdivision 8, provides an appropriation to the Administrative Services Unit (ASU) 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. The Board applied for and was granted approval of a Legal Cost Account:

- FY 2016 - \$8,278
- FY 2017 - \$22,503
- FY 2018 – Application not submitted for Legal Cost Account
- FY 2019 – Application not submitted for Legal Cost Account

**H7L Retirement Account – Fund 1201:** The Administrative Services Unit (ASU) requests an appropriation in its biennial budget request for any identified and anticipated retirement benefits under the State labor contracts for all health licensing board staff. Agencies are responsible to pay retirement benefits from operational funds.

- FY 2017 - \$16,025
- FY 2018 - \$0
- FY 2019 - \$0



## SECTION 4: INDIRECT EXPENDITURES

FY 19 INDIRECT EXPENSES			
Budgeted	Actual Spend	Actual Percentage Spend	Overage/(Deficit)
480,662	358,711 <sup>1</sup>	75% <sup>1</sup>	121,951 <sup>1</sup>
<sup>1</sup> Administrative Services Unit (ASU), ASU MN.IT, and Criminal Background Check Program Office (CBCPO) indirect expense data included in total actual spend only available through 4/19.			

**Indirect Expenditures:** Expenses not paid out of the direct operational appropriation, but from the BOSW SGSRF accumulated balance. Ultimately, indirect expenditures are paid from Board collected fee revenues, which are deposited in the BOSW accumulated balance in the SGSRF. Indirect expenditures include:

- Administrative Services Unit (ASU) (*Expense data only through 4/19*)
- Administrative Services Unit (ASU) MN.IT Staff Costs (*Expense data only through 4/19*)
- Health Professional Services Program (HPSP)
- Attorney General Office (AGO)
- Criminal Background Check Program Office (CBCPO) (*Expense data only through 4/19*)
- Statewide Indirect Costs (costs paid to other state agencies for services)

## ADMINISTRATIVE SERVICES UNIT (ASU) INDIRECT EXPENSES



### ADMINISTRATIVE SERVICES UNIT (ASU) INDIRECT EXPENSES

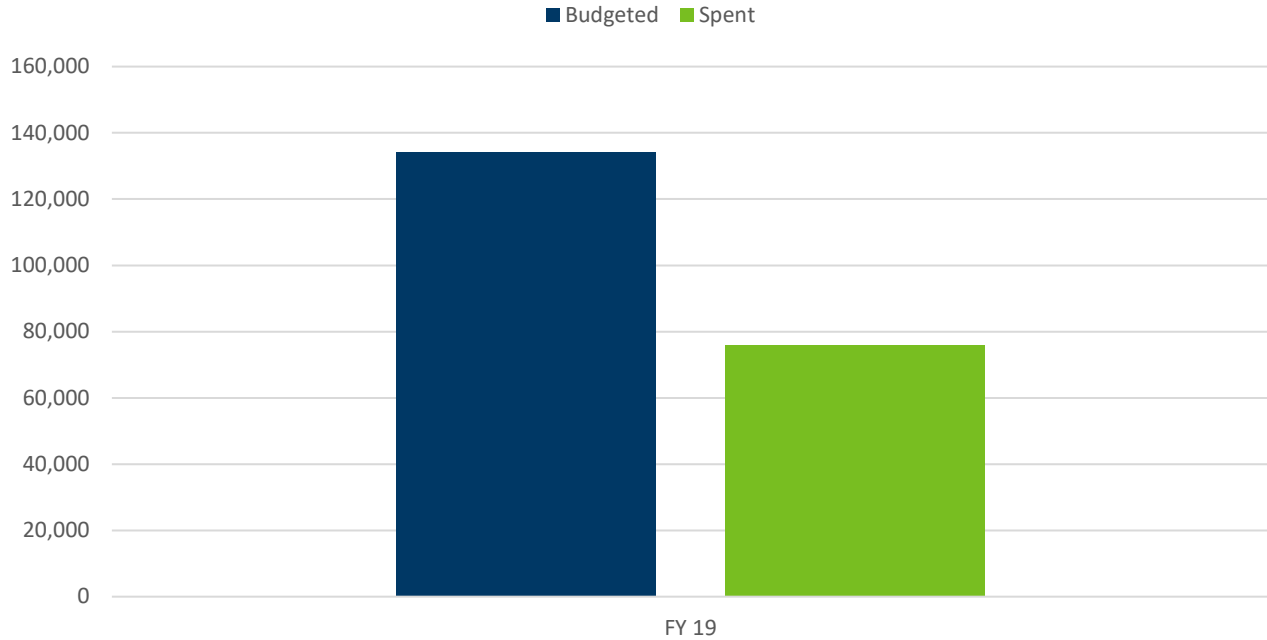
	FY 10	FY 11	FY 12	FY 13	FY 14	FY 15	FY 16	FY 17	FY 18	FY 19 <sup>2</sup>
<b>Budgeted</b>	47,924	50,347	58,000	58,000	60,000	60,000	60,000	78,624	132,092	78,897
<b>Spent</b>	41,886	50,587	44,358	48,659	65,053	76,083	74,554	102,400	105,580	34,249 <sup>1</sup>
<b>% Spent</b>	87%	100.5%	76%	84%	108%	114%	111%	130%	80%	43% <sup>1</sup>

<sup>1</sup> Expense data only through 4/19.

<sup>2</sup> ASU MN.IT staff indirect expenses reported separately in FY19 (see table below); ASU MN.IT staff indirect expenses included in ASU indirect expenses for FY10 – FY18.

**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.

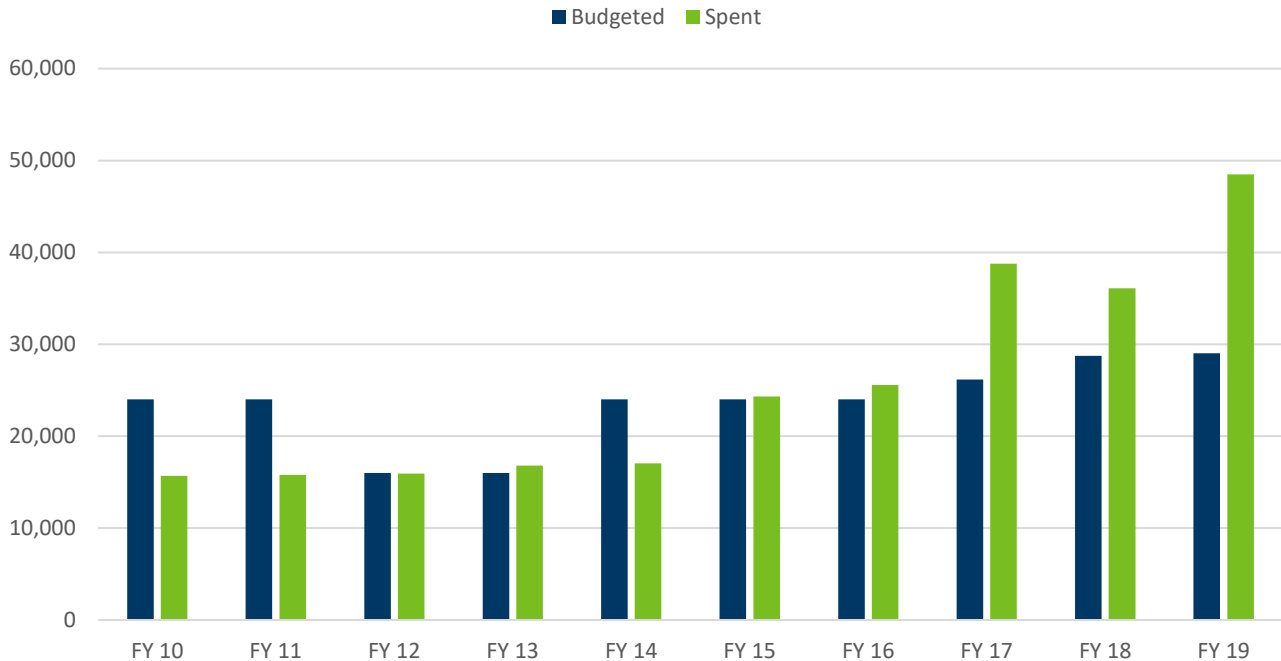
## ADMINISTRATIVE SERVICES UNIT (ASU) MN.IT STAFF INDIRECT EXPENSES



ADMINISTRATIVE SERVICES UNIT (ASU) MN.IT STAFF INDIRECT EXPENSES										
	FY 19 <sup>1</sup>									
<b>Budgeted</b>	134,138									
<b>Spent</b>	75,975 <sup>2</sup>									
<b>% Spent</b>	57% <sup>2</sup>									
<sup>1</sup> ASU MN.IT staff indirect expenses for FY10 – FY 18 included in ASU indirect expenses (see table above). <sup>2</sup> Expense data only through 4/19.										

**ASU MN.IT Staff Costs:** Includes salary and benefits for five MN.IT staff dedicated to HLBs (excluding two help desk staff).

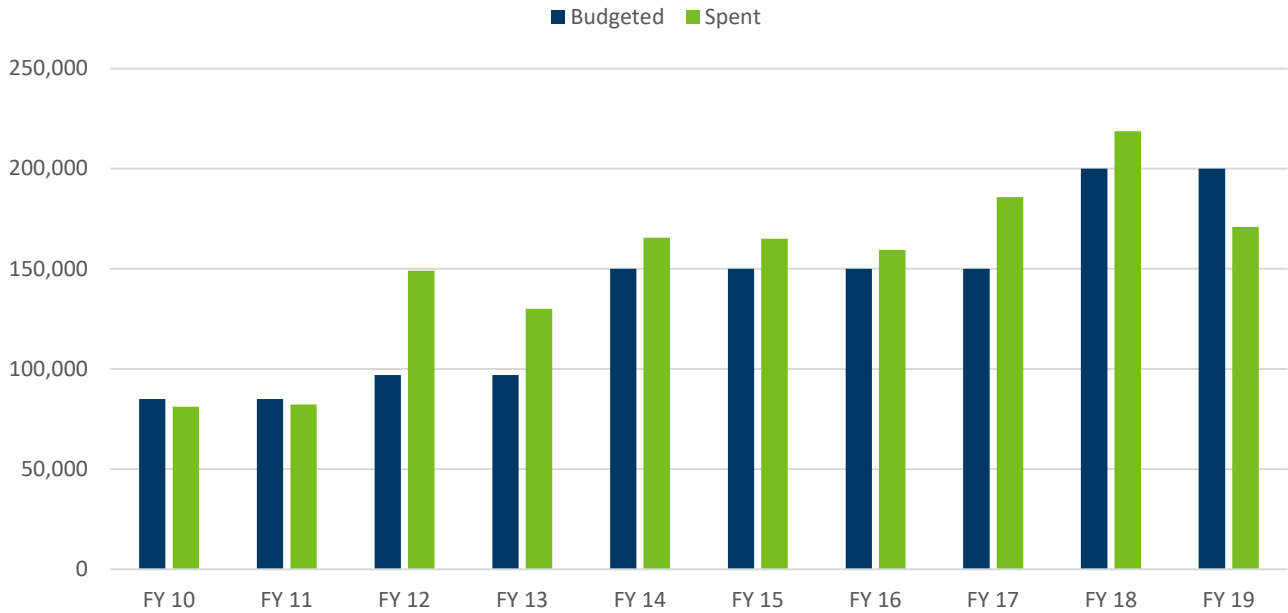
## HEALTH PROFESSIONALS SERVICES PROGRAM (HPSP) INDIRECT EXPENSES



HEALTH PROFESSIONALS SERVICES PROGRAM (HPSP) INDIRECT EXPENSES										
	FY 10	FY 11	FY 12	FY 13	FY 14	FY 15	FY 16	FY 17	FY 18	FY 19
<b>Budgeted</b>	24,000	24,000	16,000	16,000	24,000	24,000	24,000	26,179	28,740	29,019
<b>Spent</b>	15,700	15,803	15,938	16,813	17,050	24,323	25,572	38,783	36,085	48,484
<b>% Spent</b>	65%	66%	99.6%	105%	71%	101%	106.6%	148%	125.6%	167%

**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 and treatment, if required.

## ATTORNEY GENERAL OFFICE (AGO) INDIRECT EXPENSES



### ATTORNEY GENERAL OFFICE (AGO) INDIRECT EXPENSES

	FY 10	FY 11	FY 12	FY 13	FY 14	FY 15	FY 16	FY 17	FY 18	FY 19
<b>Budgeted</b>	85,000	85,000	97,000	97,000	150,000	150,000	150,000	150,000	200,000 <sup>3</sup>	200,000
<b>Spent</b>	81,182	82,256	149,161	130,123	165,585	165,137 <sup>1</sup>	159,478 <sup>2</sup>	185,910	218,764	170,921
<b>% Spent</b>	95.5%	97%	154%	134%	101%	110%	106% <sup>2</sup>	124%	109%	85.5%

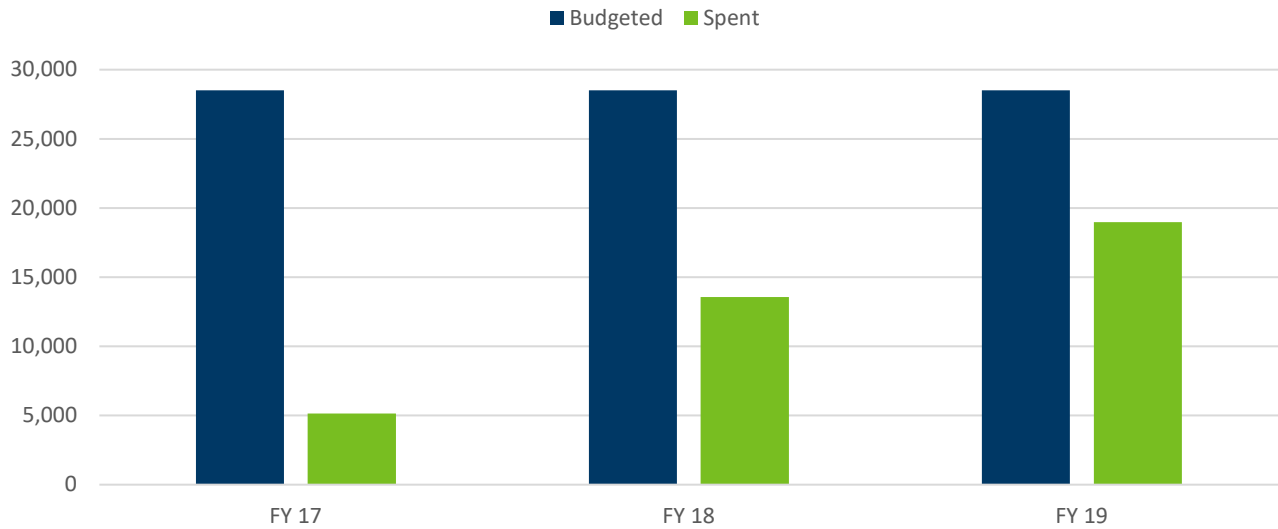
<sup>1</sup> FY 2015 AGO indirect expenses exceeded the budgeted amount by \$15,137 or 110%. The overage in the FY 2015 AGO budget was absorbed by the AGO.

<sup>2</sup> 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%.

<sup>3</sup> AGO budget was increased from \$150,000 to \$200,000 for FY 2018 given the steady increases and increased demand for legal services. Even with the increase of \$50,000 per fiscal year the budget was exceeded by 9% in FY 2018.

**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 based on the increase demand for legal services due to complaint investigation and resolution.

## CRIMINAL BACKGROUND CHECK PROGRAM OFFICE (CBCPO) INDIRECT EXPENSES



### CRIMINAL BACKGROUND CHECK PROGRAM OFFICE (CBCPO) INDIRECT EXPENSES

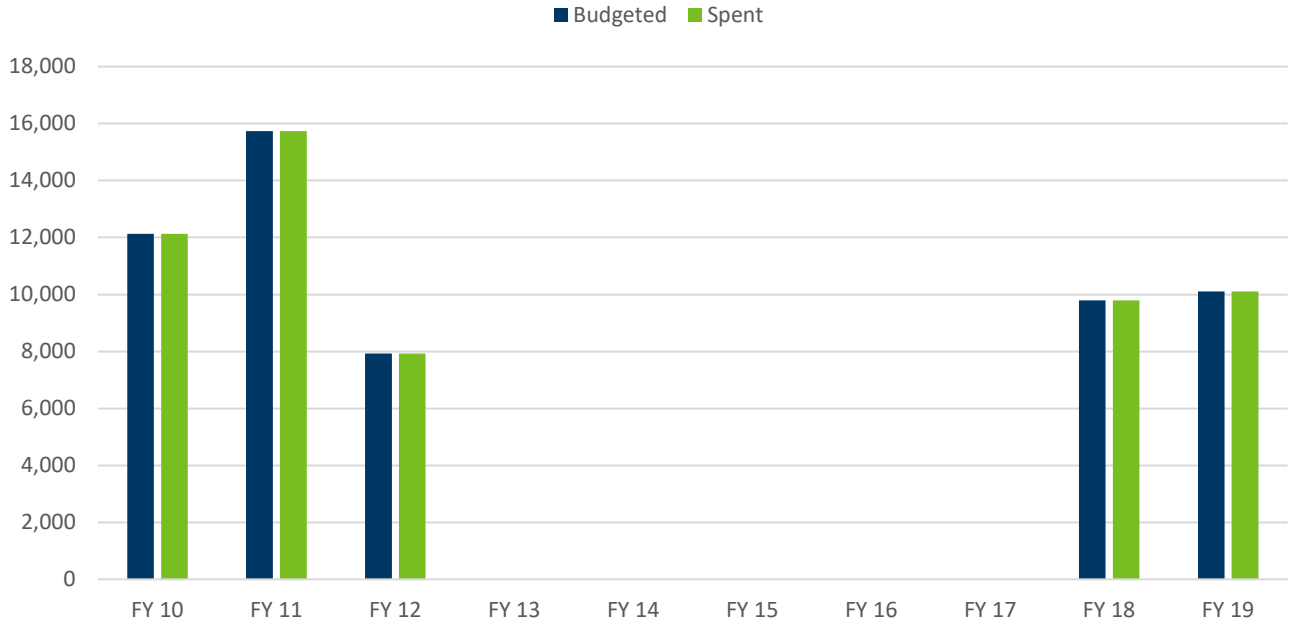
	FY 17	FY 18	FY19						
<b>Budgeted</b>	28,502	28,502	28,502						
<b>Spent</b>	5,132	13,565 <sup>1</sup>	18,975 <sup>2</sup>						
<b>% Spent</b>	18%	48%	67% <sup>2</sup>						

<sup>1</sup> FY 18 expense is based on BOSW implementation of the new CBC in November 2017; five months of full participation and services provided by the CBCPO in FY 18.

<sup>2</sup> Expense data only through 4/19/2019.

**Criminal Background Check Program Office (CBCPO):** The CBCPO was developed from an appropriation to cover expenditures of the new fingerprint based criminal background check (CBCs) requirement under Minnesota Statutes, section 214.075. To comply with this new law, the health licensing boards were required to implement CBCs for all licensure applicants by January 1, 2018. The CBCPO processes CBC for the boards to ensure efficiencies and security. Current costs are determined by an annual fee of \$3000.00 and a monthly cost based on number of CBC applicant submissions.

## STATEWIDE INDIRECT EXPENSES



STATEWIDE INDIRECT EXPENSES										
	FY 10	FY 11	FY 12	FY 13	FY 14	FY 15	FY 16	FY 17	FY 18	FY 19
<b>Budgeted</b>	12,129	15,735	7,925	0 <sup>1</sup>	0 <sup>1</sup>	0 <sup>1</sup>	0 <sup>1</sup>	0 <sup>1</sup>	9,796	10,107
<b>Spent</b>	12,129	15,735	7,925	0 <sup>1</sup>	0 <sup>1</sup>	0 <sup>1</sup>	0 <sup>1</sup>	0 <sup>1</sup>	9,796	10,107
<b>% Spent</b>	100%	100%	100%	0 <sup>1</sup>	0 <sup>1</sup>	0 <sup>1</sup>	0 <sup>1</sup>	0 <sup>1</sup>	100%	100%
<sup>1</sup> BOSW was not charged statewide indirect costs in these years.										

**Statewide Indirect Costs:** Statewide indirect expenses are billed by Minnesota Management and Budget for services provided by other State Agencies including, but not limited to, the statewide accounting services, State Real Estate Management Services, and the Office of the Legislative Auditor. Invoices under \$10,000 are generally waived.

# HISTORICAL & ADDITIONAL BUDGET DATA

## SECTION 1: FEE AUTHORITY & HISTORY

**Legal Authority and History of Board Fees:** All Health Licensing Boards set fees with Legislative approval, under Minnesota Statutes, sections 16A and 214. 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 statute. Fees are deposited in the State Government Special Revenue Fund (SGSRF). Boards receive no tax or general fund dollars. The dates in the tables below identify the history of fee enactment and the amounts.

The following tables illustrate the history and changes to application and licensing fee amounts from the inception of licensing.

APPLICATION FEES						
	1988	1993	2000	2006	2009	2019
LSW	\$25	\$30	\$45	\$45	\$45	\$60
LGSW	\$25	\$30	\$45	\$45	\$45	\$60
LISW	\$25	\$30	\$90	\$90	\$45	\$60
LICSW	\$25	\$30	\$90	\$90	\$45	\$60
Reciprocity/ Endorsement			\$150	\$150	\$85	\$100

LICENSE FEES						
	1988	1993 <sup>1</sup>	2000 <sup>2</sup>	2006 <sup>3</sup>	2009 <sup>4</sup>	2019 <sup>5</sup>
LSW	\$60	\$80	\$115.20	\$90	\$81.00	\$110 <sup>6</sup>
LGSW	\$60	\$140	\$201.60	\$160	\$144.00	\$195 <sup>6</sup>
LISW	\$150	\$210	\$302.40	\$240	\$216.00	\$295
LICSW	\$150	\$230	\$331.20	\$265	\$238.50	\$325

<sup>1</sup> License fees increased approximately 57%

<sup>2</sup> License fees increased approximately 44%

<sup>3</sup> License fees decreased approximately 20% and fees moved from rule to statute

<sup>4</sup> License fees decreased approximately 10% for a 30% overall decrease effective 2009

<sup>5</sup> License fees increased approximately 35%

<sup>6</sup> Initial LSW and LGSW license fees increased by only 15% to \$93.50 and \$167.75 as “new grad discount”



**FY 2018 & FY 2019 Biennial Budget Fee Increase Approved by Board:** Board approved the fiscal years 2018-2019 biennial budget proposal at its July 15, 2016 public meeting, including a fee increase. The proposal included a “not to exceed” amount. The actual proposed fee increases were less than the “not to exceed amount”, and per month were: LSW-\$1.00; LGSW-\$2.00; LISW-\$2.60; LICSW-\$3.00.

**2017 Legislative Session:** Board vetted the fee increase proposal at public Board meetings, committee meetings, and with its Advisory Committee, representing 10 professional social work associations, and in public legislative hearings in 2017 and 2018. There was no formal opposition during public legislative budget hearings, with many associations supporting the fee increase. The fee increase was approved in the Governor’s 2017 budget and approved by Legislature. Due to a legislative technical error the fee increase not enacted into law, despite approval by the Governor and Legislature.

**2018 Legislative Session:** House of Representatives initiated a BOSW fee increase bill on March 22, 2018, publicly stating it was correcting the 2017 legislative session technical error. Despite no formal opposition during the 2017 session, some groups opposed the bill in 2018 to correct the error. The fee increase was approved by the Legislature at a reduced rate and included in the 2018 Omnibus Supplemental Budget bill. However, the Omnibus Supplemental Budget bill was vetoed by the Governor.

**FY 2020 & FY 2021 Biennial Budget Fee Increase – Approved by Board:** Board approved the fiscal years 2018-2019 biennial budget proposal at its September 21, 2018 public meeting, including a fee increase. fee change was approved by the Legislature and Governor during the 2019 Legislative Session, effective May 30, 2019. The approved budget includes a “not to exceed amount” model, allowing the Board to adjust fees lower than the amount listed in law. The Board approved new fee amounts lower than the “not to exceed amount.” In response to feedback from stakeholders, the Board also approved a “new grad discount” to ease the impact of the fee change on new licensees, increasing initial fees for newly issued LSW and LGSW licenses by only 15% instead of 35% as originally proposed.

**2019 Legislative Session:** Board of Social Work fee change was approved by the Legislature and Governor during the 2019 Legislative Special Session, effective May 30, 2019. The Board began collecting new fee amounts on July 8, 2019.

## SECTION 2: BOSW BUDGET STRATEGY “COST OF DOING BUSINESS” AND INTENTIONAL SPEND-DOWN OF SGSRF ACCUMULATED BALANCE

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**2002 SCOBO and “Cost of Doing Business” Fiscal Strategy:** In 2000, the board determined it necessary to increase fees due to the board’s negative budget balance in the SGSRF. The fee increase caused a positive budget balance and the unintentional over collection of revenues, which increased the BOSW SGSRF accumulated balance.

In 2002 the Board convened a Special Committee on Board Operations (SCOBO) 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 revenues.

## SECTION 3: STATE GOVERNMENT SPECIAL REVENUE FUND (SGSRF)

Minnesota Statutes, Chapter 214.06 governs Health Licensing Board fees, and specifies that 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 (SGSRF). 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.

### LEGISLATURE TRANSFER OF SGSRF FUNDS FY 2004-FY 2012

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 had remained relatively stable for several years.

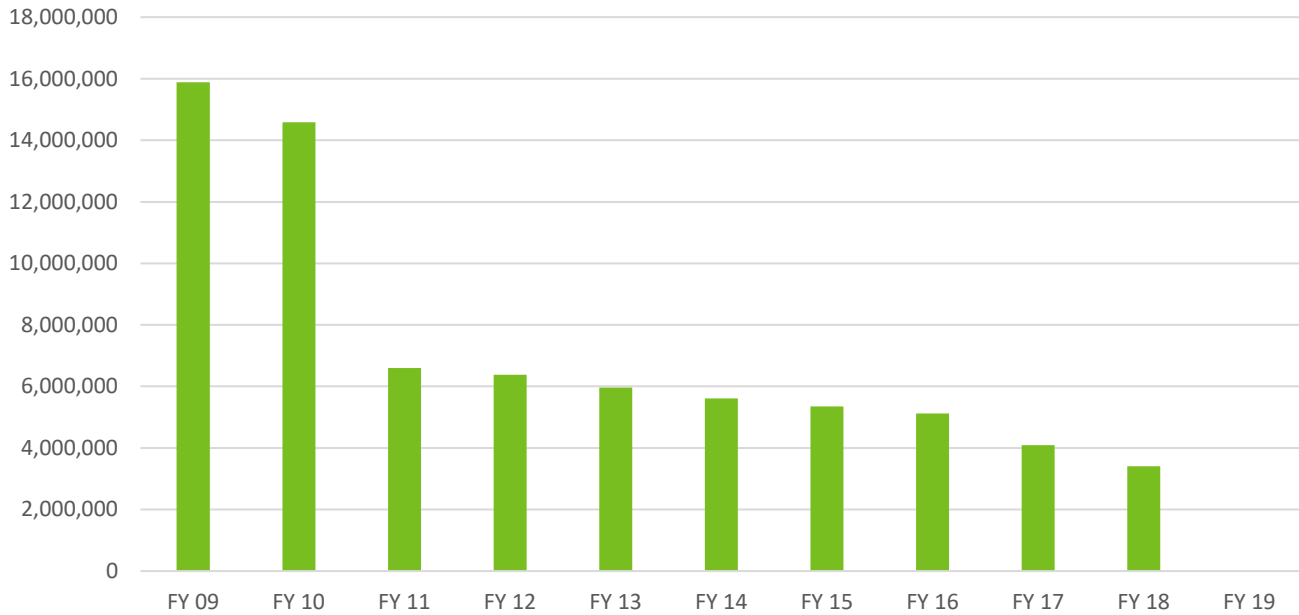
The Board continues to monitor the balance in the BOSW SGSRF. Budget projections for FY 2018 and beyond indicate deficit spending and a dangerously low accumulated balance, which caused the Board to approve a fee adjustment increase in the proposed FY 2018-FY 2019 that was not passed into law.

TRANSFERS OF HEALTH LICENSING BOARDS (HLBS) SGSRF TO GENERAL FUND		
Fiscal Year	Total HLB Amount	BOSW Allocation
FY 04-05	3,500,000	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
<b>Total Transfers</b>	<b>16,362,000</b>	<b>1,432,787</b>

## SGSRF BOSW ACCUMULATED BALANCE

The BOSW balance in the SGSRF decreased dramatically following transfers of accumulated balances by the Legislature from the SGSRF to the State General Fund in FY 2004-FY 2012. The amount has also been intentionally decreased by the BOSW budget strategy to “spend down” the accumulated balance. In FY 2009, before the Legislative transfer, the SGSRF balance was \$1,794,250. In FY 2011, following the transfer and including the intentional spenddown, the SGSRF balance decreased to \$659,000. Recently the balance has decreased further due to the proposed FY 2018-FY 2019 fee increase not being enacted into law.

BOSW ACCUMULATED BALANCE AND PROJECTED BALANCE IN SGSRF



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	FY 18	FY 19
1,588,564 <sup>1</sup>	1,457,994 <sup>1</sup>	659,295 <sup>1</sup>	637,797 <sup>1</sup>	596,283 <sup>1</sup>	561,450 <sup>1</sup>	534,869 <sup>1</sup>	512,364 <sup>1</sup>	408,670 <sup>1</sup>	340,365 <sup>1</sup>	TBD <sup>2</sup>

<sup>1</sup> Actual accumulated balance in BOSW SGSRF.

<sup>2</sup> Due to transition from ASU to SmART in August 2019, final data available for FY19.

## SECTION 4: E-LICENSING SURCHARGE FY 2011- FY 2016

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 COLLECTED						
FY 10	FY 11	FY 12	FY 13	FY14	FY 15	FY 16 Total
80,279 <sup>1</sup>	109,460 <sup>2</sup>	86,119 <sup>2</sup>	94,298 <sup>2</sup>	97,697 <sup>2</sup>	104,156	572,009 <sup>2</sup>
<sup>1</sup> Actual E-Licensing surcharge amount paid by transfer from BOSW accumulated balance in SGSRF to OET. <sup>2</sup> 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 <sup>1</sup>	8,887,418 <sup>1</sup>
<sup>1</sup> FY 17 totals not reported to HLBs.		

## SECTION 5: 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 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 comply with licensing, 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. In addition to this non-disciplinary option, the Board maintains the legal authority to impose discipline for unlicensed practice, as appropriate.

*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 this innovative, administrative license late fee has produced 1) direct and indirect cost savings, 2) increased revenue, 3) increased awareness and compliance, and 4) a decrease in public disciplinary records for unlicensed practice.

BOSW ADMINISTRATIVE LICENSE LATE FEE REVENUE						
FY 17 <sup>1</sup>	FY 18	FY 19	FY 20	FY 21	FY 22	FY 23
30,392	22,071	13,244				
<sup>1</sup> First full fiscal year collection of license late fee.						

## SECTION 6: BUDGET SURPLUS/SHORTFALL HISTORY

ACTUAL BOSW SURPLUS/SHORTFALL HISTORY – LICENSING REVENUE FUND 1201						
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 <sup>1</sup>	(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	(22,074)
17	1,309,652	1,527,529	(166,053)	1,361,476	1,463,958	(104,125)
18	1,308,131	1,667,130	(358,999)	1,397,136	1,465,441	(68,305)
19	1,413,624	1,799,636	(386,012)	1,467,178	1,642,918	(175,739) <sup>1</sup>
<b>Total surplus/(shortfall) for these years</b>						<b>(353,965)</b>
<sup>1</sup> Estimated balances for FY 19 data not final for indirect expenditures.						

## SECTION 7: LEGAL AUTHORITY FOR FEES

**Minnesota Statutes Chapter 148E.175 and Minn. Stat. 148E.180:** The Board’s Practice Act, Minn. Stat. Chapter 148E.175 specifies fees are nonrefundable and must be deposited in the SGSRF. Minn. Stat. Chapter 148E.180 specifies the fee amounts charged by the Board.

**Minnesota Statutes Chapter 214.06:** Minn. Stat. 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](#)]