



MINNESOTA

BOARD OF SOCIAL WORK

Protecting the Public

**BOSW ANNUAL
BUDGET REPORT**

March 18, 2022

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TABLE OF CONTENTS

Introduction	2
Purpose of Annual Budget Report	2
Budget Overview.....	2
How is the Board funded?.....	2
What is the BOSW budgeting process?.....	2
What are the BOSW expenses?	3
Close of Budget Cycle FY 2020-FY 2021	3
Close of FY 2021	4
Section 1: Revenues	4
Section 2: Direct Operational Expenditures.....	5
Section 3: Indirect Expenditures	7
Historical & Additional Budget Data	14
Section 1: Fee Authority & History.....	14
Section 2: BOSW Move to Randolph Square.....	15
Section 3: BOSW Budget Strategy “Cost of Doing business” and Intentional Spend-down of SGSRF Accumulated Balance.....	17
Section 4: State Government Special Revenue Fund (SGSRF)	17
Legislature Transfer of SGSRF Funds FY 2004-FY 2012	17
SGSRF BOSW Accumulated Balance.....	18
Section 5: E-Licensing Surcharge FY 2011- FY 2016	19
Section 6: Administrative License Late Fee Effective July 1, 2015	20
Section 7: Budget Surplus/Shortfall History.....	21
Section 8: Legal Authority for Fees	22

INTRODUCTION

PURPOSE OF ANNUAL BUDGET REPORT

- The purpose of the BOSW Annual Budget Report to provide yearly budget data in a comprehensive, public document in a narrative and visual graph-based format.
- The report is provided to the Board annually following the close of each fiscal year which occurs on June 30 of each calendar year. Revenue data is final on June 30 of each year, while final expenditure data lags a bit because the “hard close” of expenditures is typically mid-August of each calendar year to allow time to effectively process payments for goods and services provided through June 30. Consequently, this report is generally provided to the Board in late fall or January following the “hard close”.
- The report contains background and instructional information, budget and appropriation data, data specific to the close of the fiscal year, historical trend data for expenditures over an approximate 10-year period, historical fee and budget information and data, and legal citations that govern fees and the State Government Special Revenue Fund (SGSRF).

BUDGET OVERVIEW

HOW IS THE BOARD FUNDED?

- 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?

- 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
 - 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 direct operational expenses

- Governor approves state agency budget
- Any unspent revenue:
 - At the close of the first fiscal year in the biennium is carried forward and can be spent in the second fiscal year of the biennium
 - At the close of the biennium 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?

- “Direct expenses” are funded through the Legislative appropriation and include direct operational, 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 program which provides monitoring to regulated health care professionals whose illnesses may impact their ability to practice safely.

CLOSE OF BUDGET CYCLE FY 2020-FY 2021

- **Close of Biennium: FY 2020-FY 2021:**

FY 2020 Appropriation	FY 2021 Appropriation
\$1,437, 000	\$1,404,000 ¹
¹ Carry forward of \$134,145 unspent funds from FY 2020 applied to FY 2021 budgeted appropriation for a FY 2021 actual budgeted amount of \$1,538,145	

- **Closed FY 2020 June 30, 2020**
 - First fiscal year July 1, 2019 – June 30, 2020
 - FY 2020 appropriation \$1,437,000
 - Closed FY 2020 June 30, 2020
 - Generally, a few expenditures are still encumbered and not yet paid, as work or product not delivered or completed by “close of books” date
 - Any unspent funds from first fiscal year can be carried over to second year in biennium
 - Direct expenditures were less in some areas during FY 20 due to COVID-19 impact on operations and services

- **Closed FY 2021 began July 1, 2020**
 - Second fiscal year July 1, 2020 – June 30, 2021
 - FY 2021 appropriation \$1,404,000
 - Carry over of \$134,145 unspent funds from FY 2020 applied to FY 2021 budgeted appropriation for a budgeted amount of \$1,538,145

CLOSE OF FY 2021

SECTION 1: REVENUES

FY 21 TOTAL REVENUE – FUND 1201			
Anticipated	Actual	Actual Percentage	Overage/Deficit
1,929,336	2,003,948	104%	74,613 (over anticipated) ¹
¹ “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 21 TOTAL REVENUE - CRIMINAL BACKGROUND CHECK – FUND 2000			
Anticipated	Actual	Actual Revenue Percentage	Encumbered (pending invoice and payment)
40,000	49,530	124%	0 ¹
¹ Criminal background check (CBC) fee increased to \$33.25 effective January 19, 2019. 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 2: DIRECT OPERATIONAL EXPENDITURES

FY 21 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 1,404,000	1,538,145	1,345,203	88%	48,079	92,980 ¹	
Legal Cost Account ²	-	0	-	-	-	
Retirement Account ³	-	0	-	-	-	
<p>¹ Unspent direct appropriation funds for FY 2021 cancel back to the accumulated balance.</p> <p>² 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 2021.</p> <p>³ Retirement Fund expenses not applicable in FY 2021.</p>						

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 12	FY 13	FY 14	FY 15	FY 16	FY 17	FY 18	FY 19	FY 20	FY 21
14,562	14,213	13,035 ¹	14,149	13,744 ²	3,699 ³	0 ⁴	0 ⁵	0 ⁶	0 ⁷

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.

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

⁵ Board paid no credit card fees in FY 2019. Applicants and licensees paid \$19,745 in FY 2019.

⁶ Board paid no credit card fees in FY 2020. Applicants and licensees paid \$24,897 in FY 2020.

⁷ Board paid no credit card fees in FY 2021. Applicants and licensees paid \$38,386 in FY 2021.

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.

LEGAL COST FUND 1201					
FY 16	FY 17	FY 18	FY 19	FY 20	FY 21
8,278	22,503	0 ¹	0 ¹	0 ¹	0 ¹
¹ 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.

H7L RETIREMENT ACCOUNT FUND 1201				
FY 17	FY 18	FY 19	FY 20	FY 21
16,025	0	0	0	0

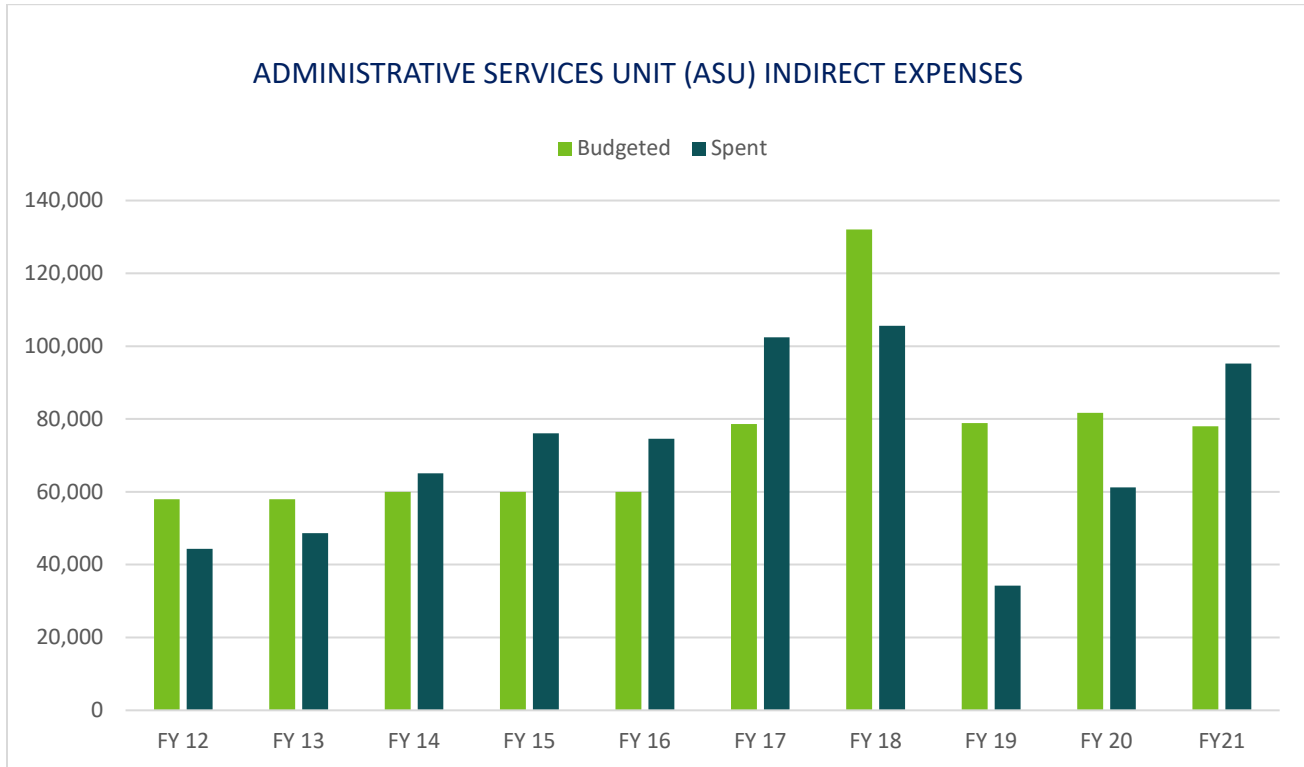
SECTION 3: INDIRECT EXPENDITURES

FY 21 INDIRECT EXPENSES				
	Budgeted	Actual Spend	Actual Percentage Spend	Overage/(Deficit)
FY 21	548,000	383,457	70%	(164,543)

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)
Administrative Services Unit (ASU) MN.IT Staff Costs
Dept of Administration Small Agency Resource Team (SmART)
- Health Professional Services Program (HPSP)
- Attorney General Office (AGO)
- Criminal Background Check Program Office (CBCPO)
- Statewide Indirect Costs (costs paid to other state agencies for services)

ADMINISTRATIVE SERVICES UNIT (ASU) INDIRECT EXPENSES



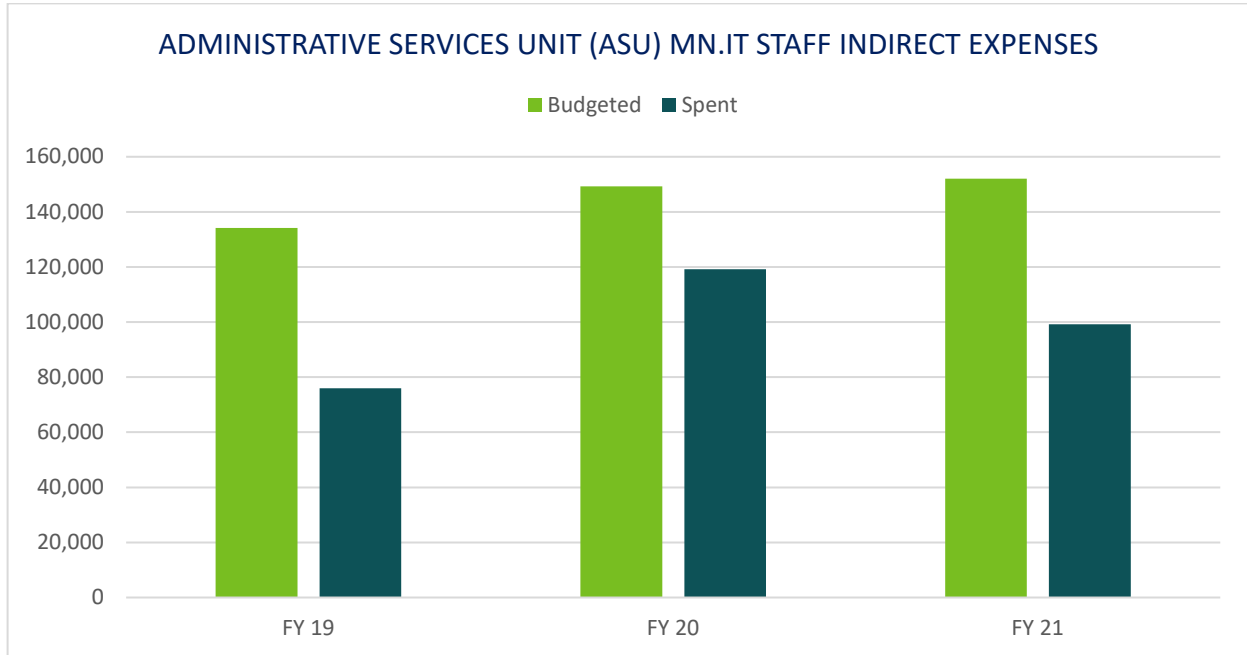
ADMINISTRATIVE SERVICES UNIT (ASU) INDIRECT EXPENSES

	FY 12	FY 13	FY 14	FY 15	FY 16	FY 17	FY 18	FY 19	FY 20	FY 21
Budgeted	58,000	58,000	60,000	60,000	60,000	78,624	132,092	78,897 ¹	81,694 ¹	78,000
Spent	44,358	48,659	65,053	76,083	74,554	102,400	105,580	40,658	61,212	95,271
% Spent	76%	84%	108%	114%	111%	130%	80%	52%	75%	123%

¹ ASU MN.IT staff indirect expenses reported separately beginning 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. Effective July 1, 2019, ASU services changed as the HLBs began working with the Dept of Administration Small Agency Resource Team (SmART) which provides financial and human resource services to the HLBs. An ASU Coordinator position was created and hired to serve as the primary HLB liaison with SmART and provide additional required services to the HLBs not provided by SmART. 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.

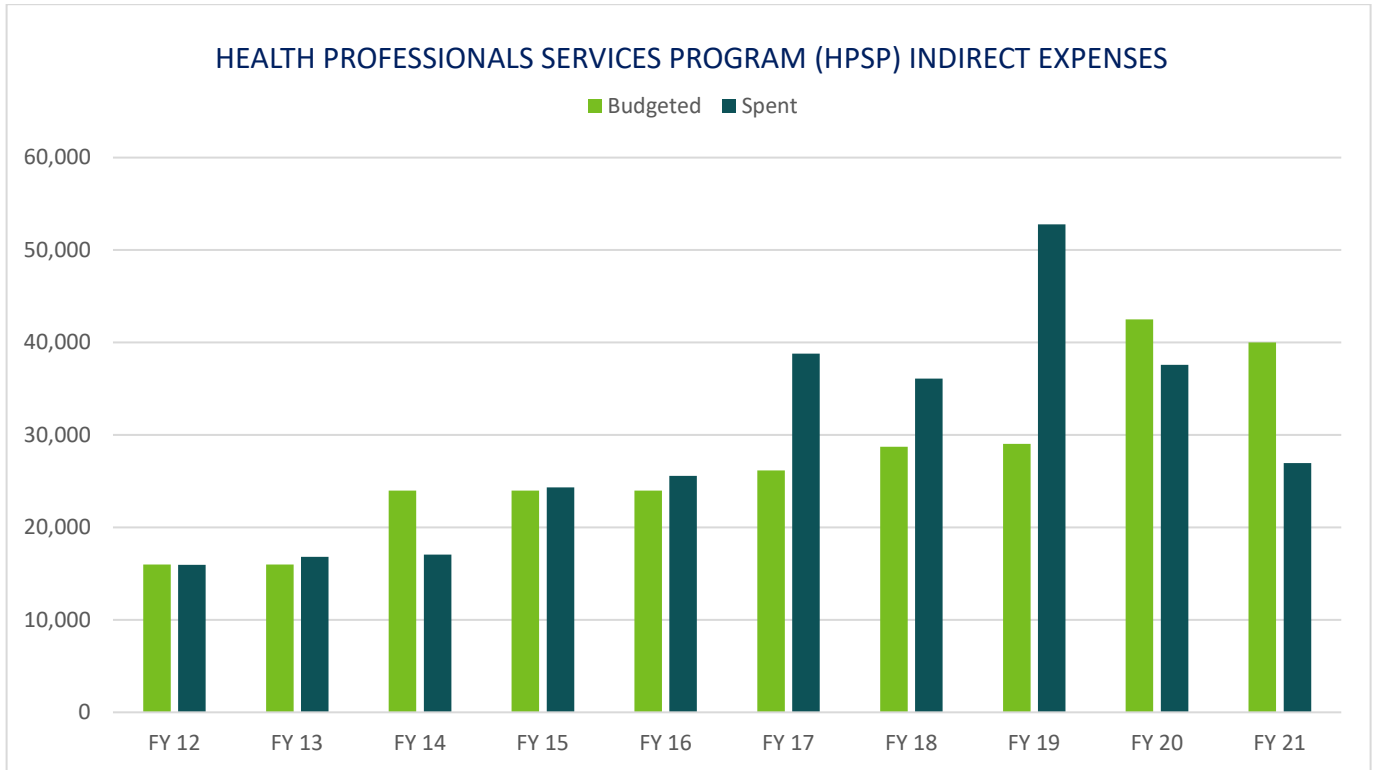
Dept of Administration Small Agency Resource Team (SmART): All HLBs, including the BOSW, engage in an interagency agreement with the Minnesota Department of Administration Small Agency Resource Team (SmART) to provide financial services beginning November 13, 2019, and human resources services January 2, 2020, based on significant staffing changes at the HLB Administrative Services Unit (ASU) in 2019. This interagency agreement is a strategy to meet the needs of the HLBs. SmART currently provides services to 21 small agencies, boards, and councils.



ADMINISTRATIVE SERVICES UNIT (ASU) MN.IT STAFF INDIRECT EXPENSES										
	FY 19 ¹	FY 20	FY 21							
Budgeted	134,138	149,239	152,000							
Spent	62,395	119,207	99,199							
% Spent	47%	80%	66%							
¹ ASU MN.IT staff indirect expenses for FY10 – FY 18 included in ASU indirect expenses (see table above).										

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

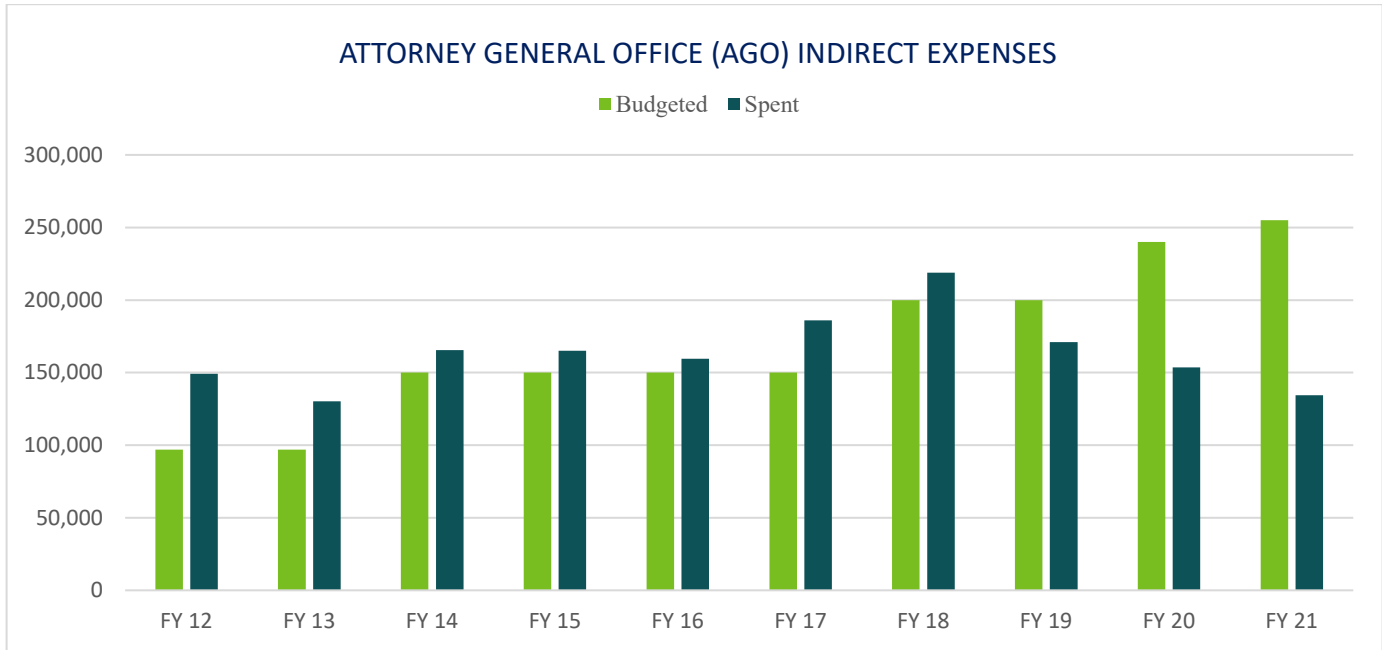
HEALTH PROFESSIONALS SERVICES PROGRAM (HPSP) INDIRECT EXPENSES



HEALTH PROFESSIONALS SERVICES PROGRAM (HPSP) INDIRECT EXPENSES										
	FY 12	FY 13	FY 14	FY 15	FY 16	FY 17	FY 18	FY 19	FY 20	FY 21
Budgeted	16,000	16,000	24,000	24,000	24,000	26,179	28,740	29,019	42,495	40,000
Spent	15,938	16,813	17,050	24,323	25,572	38,783	36,085	52,767	37,577	26,956
% Spent	99.6%	105%	71%	101%	106.6%	148%	125.6%	82%	88%	68%

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 12	FY 13	FY 14	FY 15	FY 16	FY 17	FY 18	FY 19	FY 20	FY 21
Budgeted	97,000	97,000	150,000	150,000	150,000	150,000	200,000 ³	200,000	240,000	255,000
Spent	149,161	130,123	165,585	165,137 ¹	159,478 ²	185,910	218,764	170,921	153,653	134,325
% Spent	154%	134%	101%	110%	106% ²	124%	109%	85.5%	64%	53%

¹ 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.

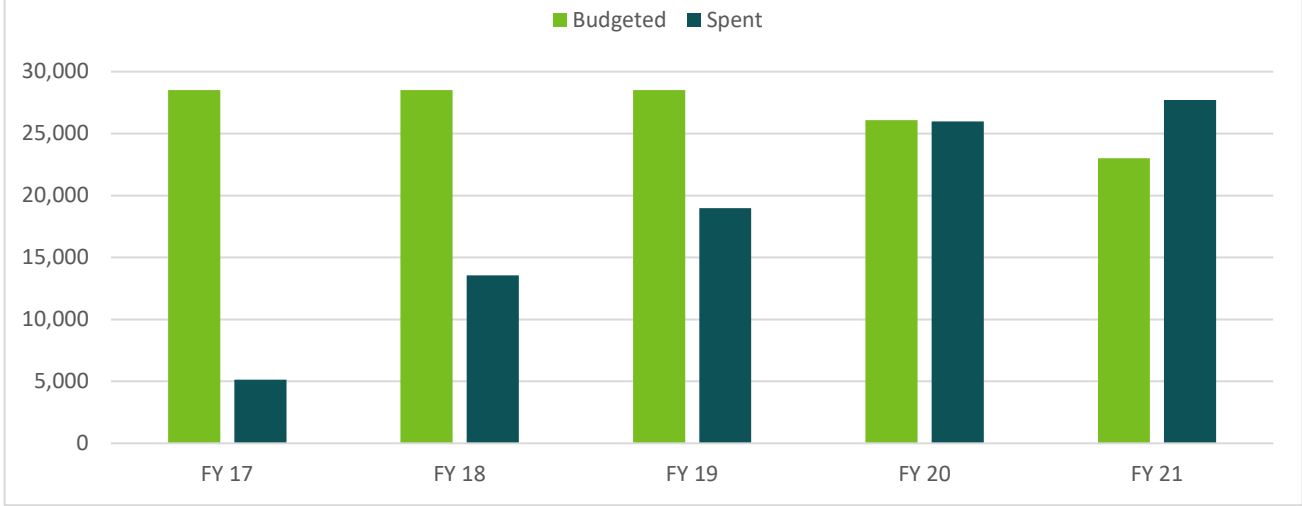
² FY 2016 AGO total indirect expenses were exceeded by all HLBs. BOSW actual expenditures for FY 2016 were \$174,272 or 116%. Based on all board expenditures BOSW costs were reduced by \$14,794. BOSW expenditures, after the reduction, exceeded the budgeted amount by \$9,478 or 106%.

³ 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.

⁴ AGO budget was increased from \$200,000 to \$240,000 for FY 2020-FY 2021.

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

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



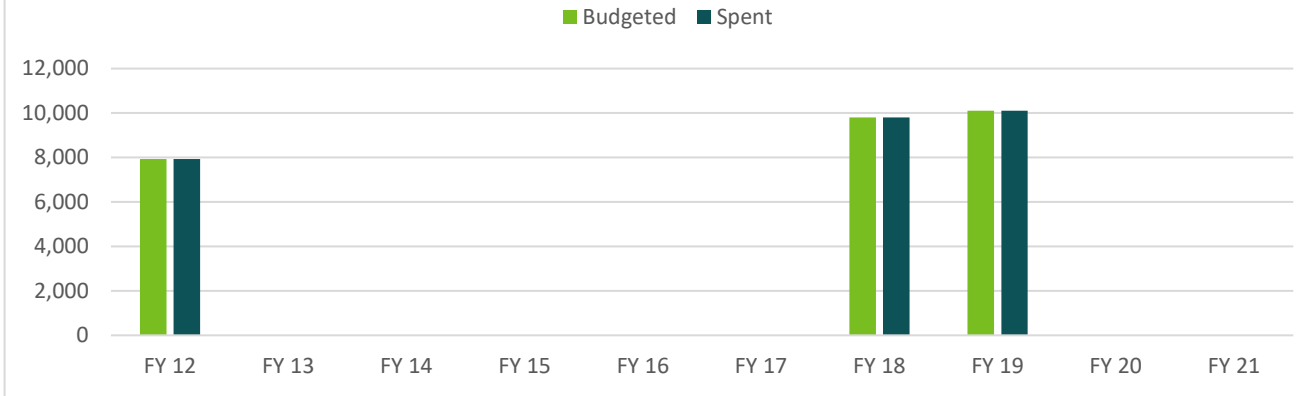
CRIMINAL BACKGROUND CHECK PROGRAM OFFICE (CBCPO) INDIRECT EXPENSES

	FY 17	FY 18	FY19	FY 20	FY 21				
Budgeted	28,502	28,502	28,502	26,083	23,000				
Spent	5,132	13,565 ¹	24,399	25,985	27,707				
% Spent	18%	48%	86%	99%	121%				

¹ 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.

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 12	FY 13	FY 14	FY 15	FY 16	FY 17	FY 18	FY 19	FY 20	FY 21
Budgeted	7,925	0 ¹	0 ¹	0 ¹	0 ¹	0 ¹	9,796	10,107	0 ¹	0 ¹
Spent	7,925	0 ¹	0 ¹	0 ¹	0 ¹	0 ¹	9,796	10,107	0 ¹	0 ¹
% Spent	100%	0 ¹	0 ¹	0 ¹	0 ¹	0 ¹	100%	100%	0 ¹	0 ¹

¹ 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 ¹	2000 ²	2006 ³	2009 ⁴	2019 ⁵
LSW	60	80	115.20	90	81.00	110 ⁶
LGSW	60	140	201.60	160	144.00	195 ⁶
LISW	50	210	302.40	240	216.00	295
LICSW	150	230	331.20	265	238.50	325

¹ License fees increased approximately 57%

² License fees increased approximately 44%

³ License fees decreased approximately 20% and fees moved from rule to statute

⁴ License fees decreased approximately 10% for a 30% overall decrease effective 2009

⁵ License fees increased approximately 35%

⁶ 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 was 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 fee change was approved by the Legislature and Governor during the 2019 Legislative Special Session, effective May 30, 2019. New fee amounts collected beginning July 8, 2019.

SECTION 2: BOSW MOVE TO RANDOLPH SQUARE

Background

- In anticipation of the BOSW and other health licensing boards (HLB) office lease at University Park Plaza Building at 2829 University Avenue, Minneapolis, expiring January 1, 2021, the HLBs partnered in January 2020 with the Department of Administrations Real Estate and Construction Services (RECS) team to complete the Competitive Request for Proposal (RFP) Process. Following a rigorous RFP process, touring several properties, analysis, and selection process, RECS negotiated a competitive market lease in a privately owned property to continue a HLB co-location in a collaborative space. The site chosen was Randolph Square, 335 Randolph Avenue in St. Paul, and the HLBs relocated for the first time in approximately 26 years.
- Rent at University Park Plaza was \$5,660 for the suite and \$152 for storage per month.

New Lease

- An initial ten-year lease was signed effective July 1, 2021, for a newly constructed two-story building with free parking. Due to construction delays the boards took occupancy October 1, 2021. A master lease was

executed under the HLB Administrative Services Unit (ASU), with sub-leases executed for each individual board to ensure the greatest protections and benefits.

- The lease was amended March 2022 to accommodate the delayed effective date setting the terms of the lease October 1, 2021, through September 30, 2031.

Square Footage & Cost

- To be cost-effective and have vision for future growth and needs:
 - overall square footage increased by only 200 square feet
 - suite square footage increased by only 239 square feet, from 3,239 to 3,478 square feet
 - out of suite storage space decreased by 40 square feet, from 162 to 126 square feet
 - shared space square footage (hallways, shared common spaces) BOSW portion 1,405 square feet
- RECS negotiated six months free rent. Due to the delayed September 2021 occupancy date, the six months free rent was October 2021 through March 2022. New rent charged beginning April 1, 2022.
- Rental costs increase over the time of the lease by approximately \$.80 (cents) per year per square foot.
- Lease can be renewed and renegotiated at the current 10-year lease end date.

April 1, 2022-September 30, 2022 ¹				
	Square Feet	Rate per Sq. Ft.	Monthly Payment	Rent Sublease Term
Office ²	3,478	\$27.00	\$7,825.50	\$46,953.00
Prorated Share of Common Space ³	1,405	\$27.00	\$3,161.25	\$18,967.50
Storage	126	\$17.50	\$183.75	\$1,102.50
Total	5,009		\$11,170.50	\$67,023.00

1 Zero (free) rental rate from September 1, 2021, through March 30, 2022

2 Office/suite space expense paid from direct appropriation funds

3 Common spaces paid from indirect funds

Relocation Expenses

- Direct expenditures for moving and relocation costs spanned two fiscal years, FY 2021, and FY 2022, over two separate biennia.
- Large portion of the expenses were paid with unspent FY 2021 funds, rather than those funds canceling back to the SGSRF, to ensure a stable budget for FY 2022.
- No increased appropriation for rent was requested when planning the FY 2022-FY 2023 biennial budget.

One Time Relocation Expenses	
Vendor & Expense	Amount
Tierney Bros – update BOSW technology	\$7200.00
All Furniture – moving and storing furniture, supplies	\$4585.00
KI – furniture, dismantle, moving, storage, reassemble	\$60,230.00
University of MN - UPP Lease extension July 1 – August 30, 2021	\$838.00
Total	\$72,853.00

SECTION 3: BOSW BUDGET STRATEGY “COST OF DOING BUSINESS” AND INTENTIONAL SPEND-DOWN OF SGSRF ACCUMULATED BALANCE

2002 SCOBO and “Cost of Doing Business” Fiscal Strategy: In 2000, the board determined 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, increasing 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 its 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 4: 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.

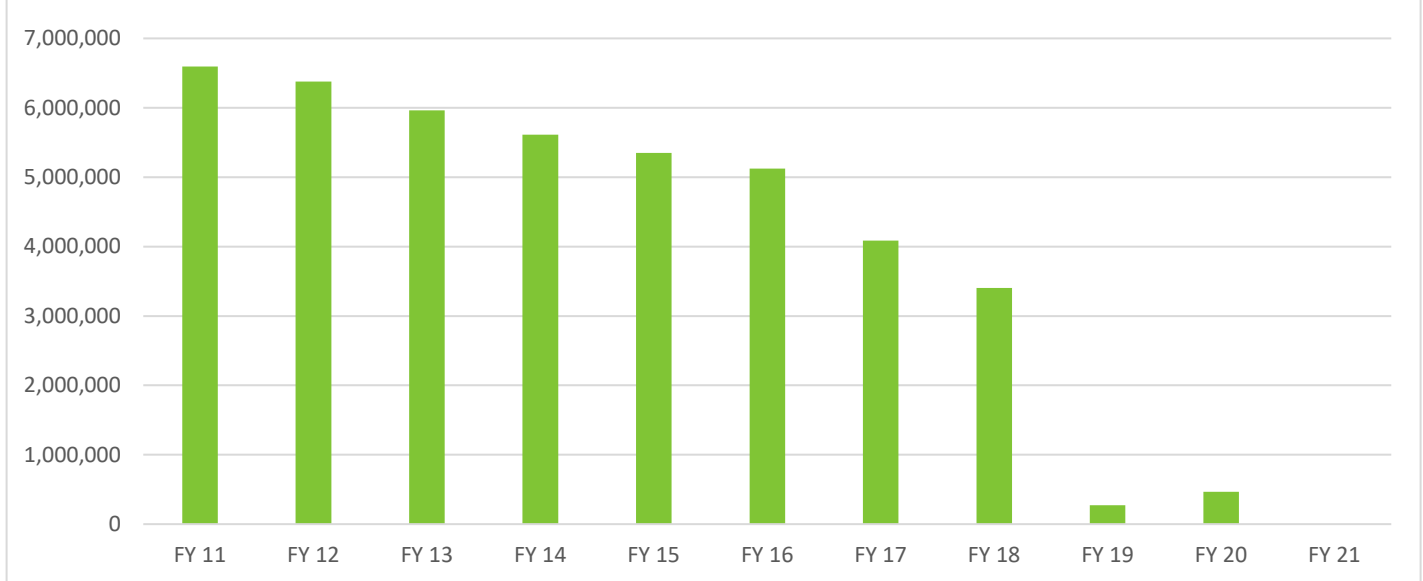
TRANSFERS OF HEALTH LICENSING BOARDS (HLBS) SGSRF TO GENERAL FUND

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
Total Transfers	16,362,000	1,432,787

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 10	FY 11	FY 12	FY 13	FY 14	FY 15	FY 16	FY 17	FY 18	FY 19	FY 20	FY 21
1,457,994	659,295	637,797	596,283	561,450	534,869	512,364	408,670	283,000	271,000	467,000	TBD

SECTION 5: 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 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 6: 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 ¹	FY 18	FY 19	FY 20	FY 21	FY 22	FY 23
30,392	22,071	13,244	6,641 ²	29,575		
¹ First full fiscal year collection of license late fee. ² License late fee revenue lower in FY 20 due to limited staff resources to process during COVID-19. Currently working to manage backlog.						

SECTION 7: BUDGET SURPLUS/SHORTFALL HISTORY

ACTUAL BOSW SURPLUS/SHORTFALL HISTORY – LICENSING REVENUE FUND 1201						
Fiscal Year	Budgeted Revenues	Budgeted Expenditures ¹	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	(78,197)
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	(20,673)
13	991,000	1,260,688	(269,688)	1,143,384	1,183,039	(39,655)
14	1,041,000	1,054,000	(13,000)	1,181,143	1,210,591	(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	(21,875)
17	1,309,652	1,527,529	(166,053)	1,361,476	1,463,958	(102,482)
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	(175,740)
20	1,782,534	1,901,479	(118,945)	1,847,985	1,687,372	209,457
21	1,929,336	1,952,000	(22,664)	2,106,716	1,768,673 ²	335,372 ²
Total surplus/(shortfall) for these years						193,808
¹ Budgeted expenditure column includes total for both direct appropriation expenses and indirect expenses.						
² Not final budget data as few items remain encumbered without final payment.						

SECTION 8: 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 biennium. 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](#)]