

Departmental Earnings Report Instructions

I. Overview

The departmental earnings report is a required element of the biennial budget document. In the report, agency fees are matched with the cost of the activity for which they are collected to determine if departmental earnings are under/over recovering the cost of the related activities. The analysis includes actual revenue and expenditure data for FY 2013-14, estimates for FY 2015, and projected current law revenues and spending for FY 2016-17. This biennial report also serves as a comprehensive inventory of fees and charges collected by each agency. **The departmental earnings analysis must be completed and submitted on SharePoint by November 14, 2014.**

Much like the building of the base budget for expenditures, the departmental earnings analysis provided by agencies serves as the starting point for consideration of any requested changes to departmental earnings. **Any proposed fee changes must be submitted as change items in order to be considered in the Governor's biennial budget decision making process.** To find the instructions on completing the change item narrative and entering a change item in BPAS entering proposed changes in BPAS by **October 15**, please refer to instructions on MMB's website <http://mn.gov/mmb/budget/budget-instructions/bibudprep/>.

II. Action Steps and Timelines

The following table outlines specific action steps required for the completion of the departmental earnings analysis:

Action Step	Timeline (due date)
Update the revenue budget estimates for FY 2015-17 in BPAS based on current law.	October 15 th
Submit proposed fee changes as budget change items. Complete a change item narrative and enter the change item in BPAS.	October 15 th
Complete base departmental earnings analysis including reviewing and updating fiscal information and creating a narrative to explain each revenue source category using the template provided.	November 14 th
Governor's budget request (including fee changes) decision making	November/ December
Governor's FY 2014-13 Biennial Budget Recommendation including the departmental earnings report, as required by Minnesota Statute 16A.1285, subdivision 3.	January 27 or February 17, 2015

III. What information is required in the report?

Departmental earnings are defined as any charge for goods and services and any regulatory, licensure, or other similar charges levied by any state agency and paid by individuals, businesses, or other non-state entities. This definition does not include general taxes collected by a state agency or charges for services provided by one state agency to another state agency.

The report requires each agency which receives departmental earnings to present the purposes, collection cost, and yields of departmental earnings revenues. The report is required to include estimated data for the current budget year (2015), the immediate past budget years (2013-14), and estimates for the two years following (2016-2017).

All fees and charges collected with a SWIFT revenue account number between 600000 - 69999 are defined as departmental earnings and will be included in the report.

Agencies, working with their prior departmental earnings reports, will group revenue accounts into revenue categories. These categories are used to group or summarize revenue account numbers for the purpose of showing cost recovery compliance. Agencies should group “earnings” or assign revenue categories in a way that most accurately shows to what extent fees and charges are recovering the costs of the activity for which they are collected.

Questions concerning the appropriate grouping of departmental earnings receipts for cost recovery compliance should be directed to your assigned executive budget officer (EBO) or Alisha Cowell (651-259-3782).

IV. Departmental Earnings Report Format

The 2016-2017 Departmental Earnings Report will include the following information:

- A listing of the 2016-17 departmental earnings by agency by category;
- A statewide summary of departmental earnings, including any change items related to fees approved by the Governor; and
- Revenue category fiscal report and narrative for *each* revenue category within an agency.

V. What sources of data should be used?

Revenue category does not exist in SWIFT. Agencies may have set up appropriations to track departmental earnings. Other agencies may have used financial department IDs. Still others may have used the other sub-systems in SWIFT to help track their data.

Yet another resource may be the Departmental Earnings “Step 2” account code hierarchy exercise submitted to MMB back in July. If you’d like a copy of this, please contact Alisha.Cowell@state.mn.us. Please use the source of data that is used within the agency to track and report on the collections of departmental earnings.

VI. How do I complete the Departmental Earnings template?

A. First table, summary information: Complete all boxes in the first table. This box provides the summary level information on each departmental earnings revenue category. Don’t forget to include the legal citation. The legal citation should list the statute or law that authorizes the fee, be as specific as possible (chapter, section and subdivision).

B. Revenue Category Summary Table:

***Note: Dollars should be entered in thousands.**

- **Accumulated Balance:** represents unspent balances. Agencies may enter the 2013 amount, and the FY 2014-2017 amounts should equal the preceding year’s accumulated ending balance.
- **Dedicated and Non-Dedicated Revenues:** These amounts should match the totals in BPAS for the applicable years for the collection of revenue accounts that the agency has defined as a revenue category. The 2016 and 2017 “Current Law” columns, the amounts should reflect the base budget and should not include any proposals for fee increases. The 2016 and 2017 “Proposed” columns should reflect the amount of revenue anticipated with any proposed fee increases included. If a fee increase is not being requested, the “Current Law” and “Proposed” columns should contain the same revenue estimates.
- **Earnings Transferred In/Revenue Collected at Other Agency:** These amounts should

reflect any departmental earnings revenues transferred in to the revenue category or revenues received at other agencies that are not transferred. This inclusion helps to clearly show cost recovery. Be sure to coordinate with the other agency so that the estimates of both agencies are consistent.

- **Transfers out/Revenue Collected at Other Agency:** These amounts should reflect any departmental earnings related expenses transferred out to other agencies or expenditures made by other agencies that are related to the revenue category. This inclusion helps to clearly show cost recovery. Be sure to coordinate with the other agency so that the estimates of both agencies are consistent.
- **Total Resources:** Sum total of all of the resource lines above (not including accumulated balance).
- **Direct Expenditures:** This is the total amount used to pay salaries and other costs immediately and directly involved in the operating programs and activities for the revenue category being reported. For non-general fund accounts, Attorney General costs should be handled as direct expenditures.
- **Indirect Expenditures:** Total amount used to pay overhead costs for the revenue category reported here. Overhead includes agency indirect costs (i.e., administrative overhead, central support staff, etc.) and statewide indirect costs.

For General fund fee supported activities, please add Attorney General costs and statewide indirect costs to this category. Statewide indirect costs need to be recovered when setting fees. These indirect costs are not collected in the General fund since the General fund is already being directly charged. Recovering the cost of indirect costs in fee calculation fully funds the overall costs of providing the fee-supported service.

- **Total Expenditures:** Total of direct expenditures plus indirect expenditures.
- **Annual Balance:** The annual balance for a fiscal year is the total of departmental earnings sources and less all uses in the revenue category.
- **Current Difference:** Difference between Total Resources and Total Expenditures.
- **Accumulated Ending Balance Forward Out:** The accumulated ending balance forward out is the annual balance for a fiscal year plus the accumulated balance forward in. In other words, Accumulated Balance plus Current Difference. The accumulated ending balance is the accumulated balance for the following year.

Screen Shot from 2012-13 Departmental Earnings Report: Samples of a short description of the revenue category and the purpose:

ACCOUNTANCY BOARD

ACCOUNTANCY PROFESSION

Fiscal Report

Revenue Category Description: Fees charged for examinations and licensing.

Purpose: To recover cost of regulation of the industry.

Legal Citation(s): M.S. 326A and MN Rules 1105

Requesting a Fee Change: No

Fund: GENERAL

Appr Name:

VII. Cost recovery requirements

Minnesota Statute 16A.1285, subdivision 2, requires all fees to be set at a level that neither

significantly over recovers nor under recovers costs. Such costs are to include direct services and overhead costs, unless otherwise provided by law. The statute further requires that recovery of costs be limited to deficits incurred two fiscal years immediately preceding the setting, adjustment or authorization of the departmental earning.

VIII. Supporting Information:

Complete all narrative sections by answering the following questions for each section.

- **Background Information:** Why does this fee exist? What is each fee amount and what is it for? What activity is supported by this fee? Please provide information on each individual fee.
- **Forecast Basis:** What assumptions did you use in forecasting the revenue generated from the fees? What trends are you seeing with each fee?
- **Recent Changes:** When was the last time the fee was changed? What was the fee change amount and how did it impact the revenue generated?
- **Agency Analysis/Comments:** Please provide an analysis on the level at which the agency has been over or under-recovering costs.

IX. How do I submit completed template(s)?

Please save the completed template to your agency's "Biennial Budget" SharePoint folder. Contact Camille.Drinkewine@state.mn.us if you need assistance gaining access to the SharePoint site.