

2018-19 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 2015-16, estimates for FY 2017, and projected current law revenues and spending for FY 2018-19. This biennial report also serves as a comprehensive inventory of fees and charges collected by each agency. **Agencies must use the new departmental earnings system to complete their departmental earnings analysis by November 30, 2016.**

Much like the building of the base budgets, the departmental earnings analysis provided by agencies serves as the starting point for consideration of any requested changes to departmental earnings. **Proposed fee changes must be submitted as change items in order to be considered in the Governor's biennial budget decision making process.** The instructions for completing the change item narrative and entering a change item in BPAS are located on the MMB's website under Governor's Budget Request Instructions at <http://mn.gov/mmb/budget/budget-instructions/bibudprep/>. Proposed change items need to be entered in BPAS by **October 17.**

II. Action Steps and Timelines

The following table outlines specific action steps required to complete the departmental earnings analysis:

Action Step	Timeline (due date)
Update the revenue budget estimates for FY 2017-21 in BPAS based on current law.	October 17 th
Submit proposed fee changes as budget change items by completing a change item narrative and entering the change item in BPAS.	October 17 th
Complete base departmental earnings analysis, including reviewing and updating fiscal information and creating a narrative to explain each departmental earnings group through the departmental earnings system.	November 30 th
Governor's budget request (including fee changes) decision making	November/ December
Governor's FY 2018-19 Biennial Budget Recommendation including the departmental earnings report, as required by Minnesota Statute 16A.1285, subdivision 3.	January 24, 2017

III. 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.

IV. 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.

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The report requires each agency that 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 (2017), the immediate past budget years (2015-16), and estimates for the two years following (2018-2019).

All fees and charges collected with a SWIFT revenue account codes in the range from 600000 - 669999 are defined as departmental earnings and will be included in the report.

Agencies organize their revenue accounts into departmental earnings groups for the purpose of demonstrating cost recovery compliance. Agencies should assign accounts to departmental earnings groups 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).

V. Departmental Earnings System

Departmental earnings groups do not exist in the Budget Planning and Analysis System (BPAS) or in the accounting system (SWIFT). The departmental earnings groups are established by agency in the new Departmental Earnings system. Currently the groups are established as they were in the 2016-17 report, and MMB Budget Operations is working with agencies to make sure all account codes are assigned to a group. The departmental earnings system receipt data source is BPAS. The receipt data in the system will be updated from BPAS nightly. Other information for the report will be entered by the agency through the system. If you have questions about your agency's departmental earnings groups, send an email to Budget Operations at budget.finance.mmb@state.mn.us.

The departmental earnings system will be available for agencies to begin preparing their report the week of October 10. The system will be accessed through the statewide systems administrative portal. All authorized BPAS users will see the link displayed in their administrative portal menu, however, only BPAS users whose agency has departmental earnings will have access to the system.

VI. Departmental Earnings Report Format

The 2018-2019 Departmental Earnings Report will include the following information:

- A listing of the 2018-19 departmental earnings by agency by departmental earnings group;
- A statewide summary of departmental earnings, including any change items related to fees approved by the Governor; and
- Departmental Earnings group summary reports, including fiscal data and narratives, for **each** group within an agency. These reports will be generated from the DE system and include data entered by agencies, as well as data from BPAS.

Departmental Earnings Group Summary Report – Fiscal Table

Each agency's Departmental Earnings group summary reports will include the following fiscal data. Except for departmental earnings receipts, which will be imported from BPAS daily, all data will be entered by agencies in the system. All data is entered in thousands.

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- **Accumulated Balance:** This is the amount of unspent departmental earnings receipts from a prior fiscal year(s). Agencies may enter an amount for fiscal year 2015 in the DE system, and the FY 2016-2019 amounts will be auto-calculated to equal the preceding year's accumulated ending balance.
- **Departmental Earnings:** Departmental earnings receipts will be imported from BPAS to the DE system nightly. The amounts will match the totals in BPAS of dedicated and non-dedicated receipts for the revenue accounts that the agency has defined as a DE Group. The 2018 and 2019 "Budget" column amounts should reflect the base budget and should not include any proposals for fee increases. The 2018 and 2019 "Gov Rec" columns should reflect the amount of revenue anticipated with any proposed fee increases recommended by the Governor. If a fee increase is not being requested, the "Budget" and "Gov Rec" columns should contain the same revenue amounts
- **Earnings Transferred In/Revenue Collected by Another Agency:** These amounts will be entered in the DE system and should reflect any departmental earnings revenues transferred in from another agency, or departmental earnings revenues collected by another agency 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.
- **Other Receipts:** These amounts will be entered in the DE system and should reflect non-departmental earnings revenues that support the costs of the activity for which fees are charged.
- **Transfers out/Revenue Collected for Another Agency:** These amounts will be entered in the DE system and should reflect any departmental earnings transferred out to another agency that incurs related expenditures, or departmental earnings collected for another agency 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.
- **Total Resources:** The DE system will auto-calculate the sum of all resources less resource reductions resource lines above (not including accumulated balance).
- **Direct Expenditures:** This data is entered in the DE system and 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. Note: for non-general fund accounts, direct expenditures include Attorney General costs.
- **Indirect Expenditures:** This data is entered in the DE system and is the total amount used to pay overhead costs for the DE Group activity. Overhead includes agency indirect costs (i.e., administrative overhead, central support staff, etc.) and statewide indirect costs.

Note: for General fund fee supported activities, include Attorney General and statewide indirect costs in indirect expenditures. Statewide indirect costs need to be recovered when setting fees. Recovering indirect costs in setting fees fully funds the overall costs of providing the fee-supported service.

- **Total Expenditures:** The DE system will auto-calculate the total of direct expenditures plus indirect expenditures.

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- **Current Difference:** The DE system will auto-calculate the difference between Total Resources and Total Expenditures.
- **Accumulated Ending Balance:** The DE system will auto-calculate the accumulated ending balance for a fiscal year as the sum of its Current Difference and Accumulated balance forward. The accumulated ending balance is the accumulated balance for the following year.

VII. Supporting Information

Agencies will also enter narratives in the DE system. Each departmental earnings group requires a narrative answering the following questions:

- **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.

VIII. Completing your Report

Agencies will complete their report in the Departmental Earnings system by changing the status of each group to 'Ready for EBO'.

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Screen print of the 2018-19 Departmental Earnings Report:

2018-19 Departmental Earnings

Agency: Agriculture
Earnings Group: Agricultural MERLA Costs Reimbursement

Purpose:

Legal Citation(s):

Dedicated Receipts: _____ **Non-Dedicated Receipts:** _____

Fund(s):

Appropriation Name(s):

Recommending Fee Change:

Group Summary (Dollars in Thousands)	Actual FY 2015	Actual FY 2016	Estimated FY 2017	Current Law FY 2018	Gov's Rec FY 2018	Current Law FY 2019	Gov's Rec FY 2019
Accumulated Balance							
Resources:							
Departmental Earnings							
<u>Other Resources:</u>							
Earnings Transferred In							
Revenue Collected by							
Another Agency							
Other Receipts (e.g. interest)							
<u>Resource Reductions:</u>							
Earnings Transferred Out							
Revenue Collected for							
Another Agency							
Total Resources							
Expenditures:							
Direct Expenditures							
Indirect Expenditures							
Total Expenditures							
Current Difference							
Accumulated Ending Balance							

Supporting Information