

Directive

9290.17

May 1, 2013

FEE-SUPPORTED PROGRAMS – USER-FEE ANALYSIS AND FUNDING FOR SLOW PERIODS AND TERMINATED PROGRAMS

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1. PURPOSE

This Directive:

- a. States the policy, gives responsibility, and provides guidelines for preparing proposals to establish or adjust fees,
- b. Sets forth requirements for funding liabilities of terminated fee-supported programs. The Grain Inspection, Packers and Stockyards Administration's (GIPSA) fee-supported programs are:

GP00520000000000: Grain Inspection and Weighing

GP00530000000000: Official Agencies

GP00570000000000: Rice Inspection

GP00580000000000: Commodity Inspection

And –

- c. Sets forth responsibilities and requirements for conducting reviews of fees.

2. REPLACEMENT HIGHLIGHTS

This directive replaces FGIS Directive 9290.17, "Fee-Supported Programs – User-Fee Charges and Funding for Shutdown Expenses" dated August 10, 1999.

3. POLICY

GIPSA's policy that each user-funded activity recovers the costs of providing services, and that each program maintains a reasonable reserve to finance accrued liabilities. It is also GIPSA policy that annual fee analyses are prepared so that fee adjustments can be implemented either to coincide with annual pay raises, crop years, or program changes impacting on the cost of services.

4. AUTHORITIES

- a. The majority of GIPSA's funding comes from user fees. Fees are established for each separate program to offset the cost of providing the service. The laws and regulations authorizing user-funded programs, requiring a review of fees, and guidance are:
 - (1) The United States Grain Standards Act,
 - (2) The Agricultural Marketing Act of 1946,
 - (3) The Chief Financial Officers Act of 1990,
 - (4) Office of Management and Budget (OMB) Circular A-25, User Charges,

- (5) Statement of Federal Financial Accounting Standards (SSFAS) Number 4, Managerial Cost Accounting Standards and Concepts, and
 - (6) Statement of Federal Financial Accounting Standards (SSFAS) Number 7, Accounting for Revenue and other Financial Sources and Concepts for Reconciling Budgetary and Financial Accounting.
- b. These acts require that the cost of providing service be recovered through userfees and, at a minimum, that a biennial review of fees be conducted. Such costs include all Agency direct and indirect costs of providing service, including salaries and other personnel costs (retirement, insurance, and leave), such as travel, rent, postage, maintenance and depreciation of equipment, supplies, and a proportionate share of Agency management and supervisory costs. The cost of providing service also includes accrued liabilities, such as severance pay, unemployment compensation, and unused leave costs.

5. DEFINITIONS

- a. Accrued liabilities are expenses incurred that must be paid at some time in the future.
- b. Fee analysis is a comparison of the actual and projected revenues with actual and projected costs of performing fee services. In addition, the analysis includes actual and estimated workload data whether in hours, units, or both and the relationship of workload with revenue. The analysis is based on at least 1 full year of actual data with projections extending through 2 future years. The data are correlated in such a manner as to provide management with options for several fees and workload levels in order to determine an appropriate fee to recover the cost of providing the service.
- c. Object class is a budget classification identifying the nature of goods or services purchased.
- d. Shutdown expenses are all costs and accrued liabilities that must be paid if a program terminates.
- e. Unobligated balances are funds that have not been committed or expended.
- f. User Fees represent assessments that are charged to recipients of a service.

6. APPROVAL OF RATE PROPOSALS

The Administrator will approve all rate proposals (both new and revised). The Deputy Administrator of GIPSA's Federal Grain Inspection Service (FGIS) will review requests for new or revised fees prior to submission to the Administrator.

a. New and/or Adjusted Fees:

The Deputy Administrator, FGIS shall:

Include an explanation of each proposal for establishing new rates or revisions of existing rates together with other information as outlined below:

- (1) Explanation. Briefly describe the need for the fee or revision of the existing fee and include, as applicable, the following:
 - (a) Legal authorization for new services,
 - (b) Clients or users of the service,
 - (c) Duration of the program,
 - (d) Volume and income anticipated, and
 - (e) Financing requirements, including any cost and income sharing with a cooperator or other unit.
- (2) Compute costs for services or activities to cover the direct and indirect costs to GIPSA for carrying out the activity (costs for fees and charges should be determined or established from available records maintained on expenses, income, and workload within GIPSA).
- (3) Recommend appropriate fees and charges for authorized services at rates that will recover, as nearly as practicable, the costs of such services.

b. Fee Analysis:

The Deputy Administrator, FGIS shall:

- (1) Review activities and applicable costs; and prepare annual fee analyses to determine the adequacy of such fees and charges for GIPSA user-financed programs. These analyses should include the adequacy of fees for the current year and the subsequent year, considering estimated costs increases and fluctuations in workload.
- (2) Determine current and 1 subsequent year's costs for services or activities to cover the direct and indirect costs to GIPSA for carrying out the activity,

- (3) Decide the appropriate time to initiate a fee analysis,
 - (4) Recommend to the Administrator the appropriate fees to be charged,
 - (5) Propose appropriate fees and charges for authorized services at rates that will recover, as nearly as practicable, the costs of such services, and maintain a reasonable reserve,
 - (6) Maintain an unobligated balance level equivalent to at least 3 months' operating expenses, and
 - (7) Submit proposals to Management and Budget Services (MBS) for review and clearance of budgetary and financial requirements.
- c. The Director, MBS shall:
- (1) Provide consultation and assistance to FGIS in developing methods to be used for identifying costs and determining adequacy of rates.
 - (2) Review current and proposed rates for effect on budgetary and financial operations in accordance with laws and regulations covering fees and charges.
 - (3) Determine for inclusion in the rates the proportionate share of applicable expenses for services performed outside FGIS.
 - (4) Prepare reports on user charges, as required by the Department, from fiscal and budget records and other data furnished by the respective program under this and other GIPSA directives.
 - (5) Ensure that the biennial review of fees is conducted by MBS in coordination with the AMS/GIPSA Financial Systems and Reporting Branch (AGFSRB).

6. PREPARATION OF FEE ANALYSIS

- a. Frequency of Analysis: The review of fees shall, at a minimum, be conducted on an annual basis. These analyses and supporting data must be kept on file for 3 years.
- b. Contents of Analysis: The fee analysis should be a comprehensive review of all revenue and expense components. The analysis should include:
 - (1) Current and projected workload indicators such as revenue-producing hours, metric tons inspected, or other applicable indicators,
 - (2) Object class data that details existing and anticipated costs for providing the service,

- (3) At least a 2-year projection of the financial position of the program using several alternative fees, and
- (4) An analysis, which details the impact on revenue and obligations resulting from varying workload data.

7. SUBMISSION OF FEE ANALYSES

The Deputy Administrator, FGIS must follow the procedures prescribed below to secure approval for a fee change.

- a. Send a decision memorandum to the Administrator justifying the need for a fee change.
- b. After receiving approval from the Administrator, prepare all documentation required as part of the public rule-making process and submit to MBS for review and initiation of the rulemaking process in accordance with Departmental Regulation 1512-1, Regulatory Decision Making Requirements, dated March 14, 1997.
- c. Incorporate final rule information into division issuances.

8. LEVEL OF UNOBLIGATED BALANCES

- a. The Agency has determined that each fee-supported program should maintain an unobligated balance of at least 3 months of operating expenses.* This unobligated balance is needed to cover accrued liabilities should the program terminate. The Administrator may waive or modify this requirement if an applicant agrees to assume responsibility for shutdown costs and maintains sufficient funds in escrow, bonds, taxing authorities, or other means satisfactory to the Agency.
- b. Fee-supported programs not having sufficient unobligated balances to cover 3 months of operating expenses should plan to gradually increase user fees over a period of time to reach this level.

***NOTE:** Depending on circumstances, more than 3 months may be necessary.

9. FUNDING LIABILITIES FOR TERMINATED PROGRAMS

- a. The Administrator will request an emergency appropriation to fund unobligated balances of terminated programs.
- b. Unobligated balances from other fee-supported programs funded by the same treasury fund will be utilized to cover shutdown expenses should sufficient funds be unavailable in the terminated program. MBS will track and record the transfer of funds between user-fee programs. Records of the transfer must be kept on file for 3 years.

10. INQUIRIES

Please direct all general inquiries about the agency's budget and biennial fee reviews to the Director, MBS at (202) 720-0231.

All questions about fee analyses should be directed to the Deputy Administrator, FGIS, at (202) 720-9170.

/s/ Larry Mitchell

Larry Mitchell
Administrator