United States Department of Agriculture
Grain Inspection, Packers and Stockyards Administration
DIRECTIVE 9290.17 8/10/99

FEE-SUPPORTED PROGRAMS – USER-FEE CHARGES AND FUNDING FOR SHUTDOWN EXPENSES

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, and

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

2. POLICY

It is the Grain Inspection, Packers and Stockyards Administration's (GIPSA) 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 Agency policy that annual fee analyses be 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.

3. AUTHORITIES

a. The majority of the programs in GIPSA are user-funded. 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,

(4) OMB Circular A-25, User Charges,

(5) Statement Of Federal Financial Accounting Standards (SSFAS) Number 7, Accounting for Revenue and Other Financing Sources, and

(6) Statement of Federal Financial Accounting Standards Number 4, Managerial Cost Accounting Concepts and Standards for the Federal Government.

b. These acts require that the cost of providing service be recovered through user-fees 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.

4. 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.

5. APPROVAL OF RATE PROPOSALS

The Administrator will approve all rate proposals (both new and revised). The Deputy Administrators will review requests for new or revised fees prior to submission to the Administrator.

a. New and/or Adjusted Fees:

Program Managers of fee-supported programs 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:

Program Managers of fee-supported programs 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 the Executive Resources Staff (ERS) for review and clearance of budgetary and financial requirements.

c. The Director, ERS shall:

(1) Provide consultation and assistance to programs 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 the Program/Division.

(4) Prepare annual 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) Provide program managers with GIPSA financial reports prepared by the National Finance Center. These reports are to be used, in conjunction with any other available program information, by programs in determining proper fees and charges.

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7. 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) A sensitivity analysis, which details the impact on revenue and obligations resulting from varying workload data. An example of a completed analysis sheet is attached.

8. SUBMISSION OF FEE ANALYSES

The Division Director or Program Manager of the fee-supported program 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 a proposed interim and/or final rule fee docket and submit to the Audiovisual, Regulatory, and Training Staff for review and initiation of the rulemaking process in accordance with Departmental Regulation 1512-1, dated March 14, 1997.

c. Incorporate final rule information into division issuances.

9. LEVEL OF UNOBLIGATED BALANCES

a. The Agency has determined in consultation with the Industry Advisory Committee 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.

10. FUNDING LIABILITIES FOR TERMINATED PROGRAMS

a. An emergency appropriation will be requested to fund unobligated balances of terminated programs.

b. As a last resort, 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. During this time, a supplemental appropriation will be requested by ERS to replace all funds utilized from those programs not terminated.

Administrator

Attachment

EXAMPLE OF COMPLETED ANALYSIS REPORT
SENSITIVITY (WHAT IF) ANALYSIS
LIST ACTIVITY
(Grain, Rice, Commodity, Canada, etc.)

FY ____

Workload Indicators

	Current Estimates	95 Percent of Current	105 Percent of Current
Revenue Hours	600,000	570,000	630,000
Total Direct Hours Paid	800,000	800,000	800,000
Staff Years	384.6	384.6	384.6
Personnel Compensation	10,000,000	10,000,000	10,000,000
Overtime and Holiday	1,000,000	950,000	1,050,000
Total Personnel Compensation	11,000,000	10,950,000	11,050,000
Total Personnel Benefits	1,000,000	1,000,000	1,000,000
Travel	200,000	190,000	210,000
Transportation of Things	50,000	50,000	50,000
Rent, Communication, Utilities	400,000	400,000	400,000
Printing and Reproduction	1,000	1,000	1,000
Other Services	100,000	100,000	100,000
Supplies and Materials	100,000	100,000	100,000
Equipment	50,000	50,000	50,000
Other	10,000	9,500	10,500
Total Direct Obligations	12,911,000	12,850,500	12,971,500
Hourly Rate	21.50	22.55	20.60

Million Metric Tons	80.0	76.0	84.0
Supervision and Administration (Local overhead/indirect)	1,500,000	1,500,00	1,500,000
Program Overhead (Division, ODA, OA)	2,000,000	2,000,000	2,000,000
Department Overhead (Greenbook, etc.)	1,000,000	1,000,000	1,000,000
TOTAL Indirect	4,500,000	4,500,000	4,500,000
Cost Per Ton	$.0563	$.0592	$.0536

Itemized Units	20,000	19,000	21,000
Personnel Compensation	2,000,000	2,000,000	2,000,000
Overtime and Holiday	200,000	190,000	210,000
Total Personnel Compensation	2,200,000	2,190,000	2,210,000
Total Personnel Benefits	100,000	100,000	100,000
Travel	1,000	950	1,050
Transportation of Things	5,000	5,000,000	5,000,000
Rent, Communications, Utilities	10,000	10,000	10,000
Printing and Reproduction	1,000	1,000	1,000
Other Services	50,000	50,000	50,000
Supplies and Materials	10,000	9,500	10,500
Equipment	5,000	5,000	5,000
Other	1,000	1,000	1,000
Total Direct Obligations	2,383,000	2,372,450	2,393,550
Supervision and Administration (Local Overhead/Indirect)	100,000	100,000	100,000
Program Overhead (Division, ODA, OA)	200,000	200,000	200,000
Department Overhead (Greenbook, etc.	100,000	100,000	100,000
Obligations to be Recovered	2,783,000	2,672,550	2,793,550
Add 3-Month Operating Reserve	695,750	668,138	698,388
Unit Fee	173.94	175.83	166.28

PROFIT/LOSS			
Indicate Operating Balance			
at Beginning of New Fee			
For Example:	100,000	100,000	100,000
Indicate Revenue	3,478,800	3,340,770	3,491,880
Indicate Obligations	2,738,000	2,672,550	2,793,550
Operating Balance 1-Year After Implementation of New Fee at Varying Rates	840,800	768,220	798,330

NOTE: Prepare this analysis for the current fiscal year and two subsequent fiscal years.

Example Instructions for Completing the Analysis Report

1. List each service component for which fees are charged (i.e., revenue hours – regular, holiday, etc., tons – volume if applicable, etc., or units – submits, stowage, tests, etc.)

2. Three different revenue rates should be presented for each service component.

3. Direct program costs, i.e., personnel compensation, overtime, travel, etc., attributed directly to the service component for which fees are charged.

4. Supervision and Administration, i.e., local program overhead or indirect costs attributed to the service component for which fees are charged.

5. Program Overhead, i.e., program overhead from the Division, the Office of the Deputy Administrator, and the Office of the Administrator attributed to the service component for which fees are charged.

6. Department Overhead, i.e., Greenbook, USDA support offices, other Agency support offices such as APHIS and AMS attributed to the service component for which fees are charged.

7. Calculate profit or loss based on the various rates and three workload levels in the revenue section and expenses incurred at each workload level.

8. Determine the operating balance at the effective date of the fee adjustment and show the effect on the available balance of the three proposed workload levels in the profit/loss section.

NOTE: Some fees may not include overhead/indirect obligations. In those instances, exclude these costs, however, recognize that other fees must include these costs.