AGENCIES' IMPROVEMENT PLANS FOR FEES DATA

NATURAL RESOURCES, AGRICULTURE, AND ENVIRONMENTAL QUALITY APPROPRIATIONS SUBCOMMITTEE
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ISSUE BRIEF

On October 16, 2018, the Office of the Legislative Fiscal Analyst (LFA) provided a report evaluating the FY 2018 fee data submitted by fee agencies in the Natural Resources, Agriculture, and Environmental Quality Appropriations Subcommittee on how much revenue is collected from each fee, and how much it costs the agency to administer that fee.

The evaluation concluded, that after three years of efforts of the subcommittee to gain better understanding of the 1,300 fees review by the Legislature each year, there is still a lot of room for improvement. The subcommittee unanimously passed a motion requesting "that each fee entity present a specific plan on how they would address the issues with their fee data to the Natural Resources, Agriculture, and Environmental Quality Appropriations subcommittee during the first three weeks of the 2019 General Session."

The purpose of this brief is to facilitate the agencies' responses, as submitted to LFA. The report consists of a section for each entity with a brief summary of their fees' statistics and the scorecard from the October's report, as well as their response with specific plans intended to address the issues with their fees data.

The Department of Agriculture and Food did not provide specific plans.

Division of Oil, Gas, and Mining

- Number of Fees: **34**
- Total Fee Revenues in FY 2018: **$147,583** (less than **1%** of total budget)
- Total FY 2018 Budget: **$17,649,900**

Fee-Data Accuracy Scorecard, FY 2018		
Oil, Gas, and Mining		
1. Is actual accounting data collected for:		**Comments**
a. Fee revenues?	no	Not tracking the actual revenues by fee in the accounting system.
b. Costs to administer fees?	no	Not tracking the actual costs by fee in the accounting system.
If no actual accounting data available,		
2. Is there sound methodology for estimating the fee data that accounts for individual fees for:		
a. Fee revenues?	partially	Entity is using group level data to estimate individual fee revenues.
b. Costs to administer fees?	partially	Entity is using group level data to estimate individual fee revenues. Building costs & utilities not considered. The "Quantity" number is estimated and may not be reliable in all instances.
3. Are the data calculations accurate for:		
a. Fee revenues?	yes	Calculations seem accurate.
b. Costs to administer fees?	yes	Calculations seem accurate.
4. Does entity publish the data for:		
a. Fee revenues?	no	No fee data published.
b. Costs to administer fees?	no	No fee data published.
5. Is the explanation for the difference adequate?	partially	Many of the explanations do not address the reasons for the difference between the fee and the costs to administer the fee.

Division's Response with Plans Addressing the Issues with their Fee' Data

We appreciate the LFA's review and report during October interim meeting pointing out some of the issues with our fees. The LFA felt OGM was not tracking actual fee revenues and costs in the accounting system by fee. While it is true we do not track actual costs to administer fees in the accounting system, we do track the four mineral program fees by specific revenue source codes in the accounting system. The other fees we have are for general office expenses (such as photocopies, mailings, etc.), they are tracked using one revenue source code. We collect a very small amount of money from fees, less than 1% of our total budget. Tracking actual costs for fees would be inefficient since the amount of money generated is so minimal. Management will review the data to determine if any fee adjustments or elimination of fees need to be made in future fiscal years.

For our mineral fees, costs are not tracked by fee in the accounting system. These fees were originally set to pay for one additional FTE in the minerals program. In hindsight, we estimated the cost of the fees in the LFA spreadsheet using data for the entire minerals program. After discussion, we feel this assumption may not have been correct. For future fiscal years, we will update the LFA generated spreadsheet to figure the costs of our mineral fees using our best assumptions and estimates for one FTE (salary, benefits, travel, vehicle, etc.) since that is what the fee was originally intended for. In addition, we recognized the LFA's concern with how we estimated the quantity of mineral fees collected and will implement procedures to make sure we get an accurate count.

The LFA was also concerned about publishing the revenues and costs for fees. Revenues by individual fees are not published on our OGM website. The individual fees are published in the fee bill and total fee revenue can found on the Utah transparency website. Costs to administer fees are not published.

Utah Geological Survey

- Number of Fees: **25**
- Total Fee Revenues in FY 2018: **$36,225** (less than **0.5%** of total budget)
- Total FY 2018 Budget: **$8,156,800**

Fee-Data Accuracy Scorecard, FY 2018		
Utah Geological Survey		
1. Is actual accounting data collected for:		**Comments**
a. Fee revenues?	**partially**	Entity has cost accounting codes tracking fee revenues for the Paleontology and the Utah Core Research Center.
b. Costs to administer fees?	**partially**	There are codes that track part of the costs for the Utah Core Research Center and the Hazards fee.
If no actual accounting data available, **2. Is there sound methodology for estimating the fee data that accounts for individual fees for:**		
a. Fee revenues?	**partially**	Entity is using group level data to estimate individual fee revenues.
b. Costs to administer fees?	**partially**	Entity is using group level data to estimate costs to administer the fees. Building costs & utilities are not included in the calculations of the costs.
3. Are the data calculations accurate for:		
a. Fee revenues?	**yes**	Calculations seem accurate.
b. Costs to administer fees?	**yes**	Calculations seem accurate.
4. Does entity publish the data for:		
a. Fee revenues?	**no**	No fee data published.
b. Costs to administer fees?	**no**	No fee data published.
5. Is the explanation for the difference adequate?	**partially**	Little explanation provided on fees that generated revenues.

Division's Response with Plans Addressing the Issues with their Fee' Data

The Utah Geological Survey plans to continue monitoring the costs and revenue of our fees at a reasonable level to ensure they are warranted and calculated as accurate as possible.

The FY 2018 fee-data improvement exercise highlighted that a lot of our fees were not generating revenue, therefore we eliminated eight fees in FY 2019. We also consolidated a couple similar fees and increased another fee due to updated cost data.

We feel it would be very labor intensive and require a complex accounting structure in order to track every cost element on an individual fee level. We don't feel the benefits would warrant this level of effort and cost since we have so very few fees that only generate about $30K per fiscal year, representing less than 0.5% of our total budget. However, we do understand the importance of having accurate and meaningful fees and fee data. Therefore, in FY 2019, we implemented a fee tracking spreadsheet that tracks details for each fee collected. We also implemented a new cost accounting code for tracking several cost elements of the Core Research Center fees.

The UGS has not been aware of any requirements or requests to publish fee data until this study. Fees are published each year in the fee bill and total revenue by type can be accessed on the Utah transparency website.

Division of Forestry, Fire, and State Lands

- Number of Fees: **95**
- Total Fee Revenues: **$208,842** (less than **0.5%** of total budget)
- Total FY 2018 Budget: **$48,843,500**

Fee-Data Accuracy Scorecard, FY 2018		
Forestry, Fire, and State Lands		
1. Is actual accounting data collected for:		**Comments**
a. Fee revenues?	no	Not tracking the actual revenues by fee in the accounting system.
b. Costs to administer fees?	no	Not tracking the actual costs by fee in the accounting system.
If no actual accounting data available,		
2. Is there sound methodology for estimating the fee data that accounts for individual fees for:		
a. Fee revenues?	yes	The entity seems to be able to identify and calculate the revenues by fee.
b. Costs to administer fees?	no	The methodology does not seem to acurately estimate the costs of each fee.
3. Are the data calculations accurate for:		
a. Fee revenues?	yes	Calculations seem accurate.
b. Costs to administer fees?	no	Six of the fees listed by the agency were not part of the FY 2018 fee schedule. One of the fees was listed with the wrong amount.
4. Does entity publish the data for:		
a. Fee revenues?	no	No fee data published.
b. Costs to administer fees?	no	No fee data published.
5. Is the explanation for the difference adequate?	partially	Few explanations provided and many of them do not address the reasons for the difference between the fee and the costs to administer the fee.

Division's Response with Plans Addressing the Issues with their Fee' Data

a. While we don't have a specific cost accounting codes for each individual fee, FFSL is able to accurately account for the amount collected annually for each fee.

b. Currently, FFSL is not tracking the cost to administer the fee in the FINET accounting system and one reason for this is because it is extremely difficult to manage numerous accounting codes and often difficult for non-financial employees to understand. However, FFSL is using the LFA spreadsheet and after making corrections identified by the LFA we believe we have sound assumptions to calculate the cost of the fee and think this is viable method for knowing whether or not the fees are covering our costs. We have only two years of data and would like to update for FY2019 so we can establish historical data so that better decisions can be made with the information that we have produced. At that time, we may propose fee adjustments.

2. a. FFSL is able to accurately account for the revenue by running a report using the revenue source code and the fee amount.

b. Based upon our knowledge of the Division, we are confident that by using the LFA's generated spreadsheet that our assumption are correct in estimating the cost to administer the fee. We appreciate the LFA pointing out some error we made which have been corrected.

3 b. The LFA did catch six fee listed incorrectly on the spreadsheet. This has been checked and corrected.

4. FFSL does not publish this information on our website, but total revenue information is readily available on the State of Utah transparency website by citizen's wishing to review this.

5. FFSL recognizes that some of the fees does not adequately cover the cost to administer the fee. However, due to the limited amount of tracking, we would prefer to monitor the situation for another year and determine whether or not to propose adjustments.

Division of Parks and Recreation

- Number of Fees: **35**
- Total Fee Revenues: **$36,018,706** (**81%** of total budget)
- Total FY 2018 Budget: **$44,590,200**

Fee-Data Accuracy Scorecard, FY 2018		
Division of Parks and Recreation		
1. Is actual accounting data collected for:		**Comments**
a. Fee revenues?	yes	Entity has assigned codes and records fee revenues in FINET.
b. Costs to administer fees?	partially	Most of the costs of small groups of fees are tracked, but the capital costs are estimated.
If no actual accounting data available, **2. Is there sound methodology for estimating the fee data that accounts for individual fees for:**		
a. Fee revenues?	N/A	Entity reported to be using actual revenue data.
b. Costs to administer fees?	partially	The agency is in the process to improve its capital expense estimates by working with state and private contractors to identify the infrastructure assets.
3. Are the data calculations accurate for:		
a. Fee revenues?	no	The "Earned Revenue" data for several fees is inaccurate because agency included it with other fees (see the "Explanations" column on the right).
b. Costs to administer fees?	no	The "Difference" for the "Applications Fees Total" number is not accurate (it should be $11,389), which also impacts other calculations in the spreadsheet.
4. Does entity publish the data for:		
a. Fee revenues?	no	No fee-revenue data published by the entity.
b. Costs to administer fees?	no	No fee-costs data published by the entity.
5. Is the explanation for the difference adequate?	yes	The explanations seem adequate.

Division's Response with Plans Addressing the Issues with their Fee' Data

1. Is the actual accounting data collected for:

a. Fee revenue?

Yes, the agency established a cost accounting system that is used to code and record revenue in the State's accounting program (FINET).

b. Costs to administer fees?

Yes, the agency uses their cost accounting system to assign cost codes to each expense that is paid. For this assignment, the agency combined the expense data into major fee categories. If the Legislative committee would like greater detail regarding the agency's expenses it is available and will be provided in the future. In fact, after reviewing the granular level of expense detail that the agency reports and tracks, Representative Christofferson said he was impressed.

2. Is there a sound methodology for estimating the fee data that accounts for individual fees for:

a. Fee revenues?

The agency reports actual data and does not estimate fee revenue.

b. Costs to administer fees?

The agency reports actual data and does not estimate the cost to administer the fees. The agency is going beyond identifying the costs connected with administering the fees and is also working on determining depreciation costs, depreciation is a non-operating expense. Due to the number of assets and the agency's infrastructure complexity it may take a couple of years to fully pinpoint the depreciation expense.

3. Are the data calculations accurate for:

a. Fee revenue?

The agency discovered and has now fixed a minor error in its reporting worksheet. The agency will ensure all formulas in the reporting worksheet are correct.

b. Costs to administer fees?

The agency discovered and has now fixed a minor error in its reporting worksheet. The agency will ensure all formulas in the reporting worksheet are correct.

4. Does the entity publish the data for:

a. Fee revenues?

Yes, information related to the agency's revenue is now published and is readily available online via a link on the agency's website.

b. Costs to administer fees?

Yes, information related to the agency's revenue is now published and is readily available online via a link on the agency's website.

5. Is the explanation for the difference adequate?

Yes, the agency provided adequate explanations and information.

Division of Wildlife Resources

- Number of Fees: **326**
- Total Fee Revenues in FY 2018: **$40,965,698** (**51%** of total budget)
- Total FY 2018 Budget: **$80,928,400**

Fee-Data Accuracy Scorecard, FY 2018		
Division of Wildlife Resources		
1. Is actual accounting data collected for:		**Comments**
a. Fee revenues?	yes	Entity tracks the sales of licenses and the revenue generated from those sales.
b. Costs to administer fees?	no	No accounting for tracking expenses by fee.
If no actual accounting data available,		
2. Is there sound methodology for estimating the fee data that accounts for individual fees for:		
a. Fee revenues?	N/A	Entity reported to be using actual revenue data.
b. Costs to administer fees?	no	The main assumption in estimating the costs of each fee is that expenses will be proportionate to revenues received by each fee. Based on this assumption, the costs of fishing and hunting licenses for out-of-state customers should be much higher than the Utah residents, which is not the case. Additionally, the 326 fees are grouped in 3 large groups.
3. Are the data calculations accurate for:		
a. Fee revenues?	yes	Calculations seem accurate.
b. Costs to administer fees?	yes	Calculations seem accurate.
4. Does entity publish the data for:		
a. Fee revenues?	no	No data published.
b. Costs to administer fees?	no	No data published.
5. Is the explanation for the difference adequate?	partially	Many of the explanations do not address the reasons for the difference between the fee and the costs to administer the fee.

Division's Response with Plans Addressing the Issues with their Fee' Data

1. It is always a good exercise to review and scrutinize fees and programs supported by those fees. At DWR we are always reviewing our fee structure, with the intent to balance agency costs while staying competitive with surrounding states and providing reasonable participation fees for our constituents.
2. DWR continues to look at ways to improve our data collection and management.
3. DWR fees will continue to stay competitive with surrounding states, provide reasonable participation fees for our constituents, and vet ours fees through the DWR public process to ensure that they cover agency costs.

DWR responses to the FY2018 Fee Scorecard:

1. Is actual accounting data collected for:
    a. Fee revenues? Yes Entity tracks the sales of licenses and the revenue generated from those sales.
    b. Costs to administer fees? no No accounting for tracking expenses by fee.

    Tracking expenses by individual fee with more than 300 unique fees is not feasible. Most of our work activities such as Law Enforcement, Outreach, Habitat Restoration, and Administrative services benefit multiple species at the same time. If the expense could be completed for individual fees it would lead us to the conclusion already understood that categorically hunting fees pay for hunting programs, and

fishing fees pay for fishing programs. Our annual work-planning and complimentary budgeting process works to improve efficiency and effectiveness of the division by prioritizing and completing projects that maximize the benefits for as many species as possible.

When we consider a fee change there are many aspects we take into account and analyze prior to taking it through our public input process: Type of opportunity whether abundant or scarce, residency, age, pre-requisite licenses, buyer resistance/lost revenue, are we covering program costs, are we changing public behavior (duplicate for loss), is it a recruitment, retention, or reactivation effort of youth, families, and new customers.

2. Is there sound methodology for estimating the fee data that accounts for individual fees for:
   a. Fee revenues? N/A Entity reported to be using actual revenue data.
   b. Costs to administer fees? no
   The main assumption in estimating the costs of each fee is that expenses will be proportionate to reve nues received by each fee. Based on this assumption, the costs of fishing and hunting licenses for out-of-state customers should be much
   higher than the Utah residents, which is not the case. Additionally, the 326 fees are grouped in 3 large groups.

   Nonresidents pay a much higher fee to participate in hunting and fishing, and also participate at much lower percentage rates than residents. To address this in the future we will consider formatting our spreadsheet more categorically. We manage fish and wildlife the same for everyone. We do not have different management strategies for residents and non-residents, however they do pay different fees for the same activity. We believe focusing more on revenue and expense with our 3 main categories will help us get closer to actual expenses.

3. Are the data calculations accurate for:
   a. Fee revenues? yes Calculations seem accurate.
   b. Costs to administer fees? yes Calculations seem accurate.
4. Does entity publish the data for:
   a. Fee revenues? no No data published.

   We currently publish our revenue based on the type (restricted, general fund, federal aid, etc.). We haven't been asked to publish revenue by fee in the past, however we will consider this in the future.

   b. Costs to administer fees? no No data published.

   We currently post all expenditures categorically by program on our web page. As this process develops and we find meaningful results we will consider publishing costs to administer by fee (and/or) category.

5. Is the explanation for the difference adequate? partially
   Many of the explanations do not address the reasons for the difference between the fee costs to administer the fee.
   In future efforts to enhance the LFA spreadsheet we will work to consolidate the explanations to address the specific differences we identify.

Division of Water Rights

- Number of Fees: **80**
- Total Fee Revenues in FY 2018: **$715,000** (**5%** of total budget)
- Total FY 2018 Budget: **$13,379,100**

Fee-Data Accuracy Scorecard, FY 2018		
Division of Water Rights		
1. Is actual accounting data collected for:		**Comments**
a. Fee revenues?	no	Not tracking the actual revenues by fee in the accounting system.
b. Costs to administer fees?	no	Not tracking the actual costs by fee in the accounting system.
If no actual accounting data available,		
2. Is there sound methodology for estimating the fee data that accounts for individual fees for:		
a. Fee revenues?	no	Most of the fee revenues (over 80%) are grouped into one large categoy.
b. Costs to administer fees?	no	Most of the fee costs (over 80%) are grouped into one large categoy.
3. Are the data calculations accurate for:		
a. Fee revenues?	yes	Calculations seem accurate.
b. Costs to administer fees?	yes	Calculations seem accurate.
4. Does entity publish the data for:		
a. Fee revenues?	no	No fee data published.
b. Costs to administer fees?	no	No fee data published.
5. Is the explanation for the difference adequate?	yes	The explanations seem adequate.

Division's Response with Plans Addressing the Issues with their Fee' Data

Historically, since the office was created in 1897, the state engineer's duties have been designed to facilitate allowing citizens of the state to enjoy use of the public waters for beneficial purposes. The philosophy has been that most enterprises require water, and therefore using water beneficially promotes economic growth. Businesses and agriculture have to know of current and future dependability of water in order to maximize the economic benefits they realize. Fees generally have been set at a level to recover some component of the cost of providing the service, but since performing the services generally benefits all citizens through an orderly administration of water in the state, a large component of the cost has always been supported by general taxes.

First to clarify and address the main concerns asserted in relation to fees not being tracked in any manner, every fee is tracked on the revenue side.

For fee revenues, a separate database from the state accounting system, which integrates tightly with Division application processing, is used and tracks every fee paid for each individual application. The Division has pursued this strategy as the most cost effective means to administer its services. Although this makes fee revenues and costs less visible on the state accounting system, the Division has compensated for this weakness by creating an application on its website, which makes every fee paid to the Division publically accessible in a table format, which is easily importable into a spreadsheet and aggregated in any format desired.

The Division chose not to aggregate fees by individual fee category in the spreadsheet it provided for the Fee-Data legislative request since the purpose of the exercise was to compare the fee charged with the cost of providing the service and there was no unique data by fee category on which to estimate cost. Instead, the Division aggregated fees in general fee categories where cost could be reliably estimated and provide some meaningful insight.

The information for fees is available and published for the public. It is located at https://waterrights.utah.gov/techinfo/AppStats.asp. This has fee data for revenues from 1995 to the present. It includes a summation of the amount of fees charged by application category, number of applications, and how many are processed. Selecting the year link, a table of each fee collected and its associated application is available. In the Division's view, this web utility does publish fee revenues and the scorecard answer is incorrect.

We do plan to continue to complete the fee summary each year to track the fees and costs and compare them longitudinally to see trends over time. This will be an additional helpful tool in the review of fees.

The Governor's budget for FY 2020 does include a proposal to change tax earmarks for water to a more general fee charged for water use. Although the Governor's office has not communicated with the division regarding his proposed change in fees on water, the division's understanding is the proposed change is intended to address funding of water infrastructure through water user fees and would therefore have no impact on the water right application fee structure.

Department of Agriculture and Food

- Number of Fees: **343**
- Total Fee Revenues in FY 2018: **$4,233,346** (**10%** of total budget)
- Total FY 2018 Budget: **$43,370,500**

Fee-Data Accuracy Scorecard, FY 2018		
Department of Agriculture and Food		
1. Is actual accounting data collected for:		**Comments**
a. Fee revenues?	no	No current ability to collect actual data. Agency reported that they are in the process of implementing a system that would allow them to track revenues by fee.
b. Costs to administer fees?	no	No current ability to collect actual data. Agency reported that they are in the process of implementing a system that would allow them to track better the expenditures.
If no actual accounting data available,		
2. Is there sound methodology for estimating the fee data that accounts for individual fees for:		
a. Fee revenues?	no	Revenues are grouped in categories that are too general.
b. Costs to administer fees?	no	Expenses are grouped in categories that are too general.
3. Are the data calculations accurate for:		
a. Fee revenues?	no	The "Quantity" number is misleading; it is derived by dividing total revenues for a category by a specific fee.
b. Costs to administer fees?	no	The "Cost per Fee" is inacurate since it uses the inacurate "Quantity" number.
4. Does entity publish the data for:		
a. Fee revenues?	no	No fee data published
b. Costs to administer fees?	no	No fee data published
5. Is the explanation for the difference adequate?	no	No explanations provided

Department's Response with Plans Addressing the Issues with their Fee' Data

No plans provided by the Department of Agriculture and Food.

Department of Environmental Quality

- Number of Fees: **262**
- Total Fee Revenues in FY 2018: **$17,845,872** (**13%** of total budget)
- Total FY 2018 Budget: **$136,839,100**

Fee-Data Accuracy Scorecard, FY 2018		
Department of Environmental Quality		
1. Is actual accounting data collected for:		**Comments**
a. Fee revenues?	**Yes**	The accounting system tracks each fee and amount collected. Some coding errors may exist, but the system is in place to track fees individually, so accounting is for the most part accurate.
b. Costs to administer fees?	**Yes**	Accounting system collects expenditures by fee grouping, and assigns expenses proportionally. Multiple fees are administered by the same division or individual, making it challenging to gather expenses per fee. Some fees expenses are tracked at the fund level (e.g. Environmental Quality Restricted Account) that contain multiple programs.
If no actual accounting data available,		
2. Does the methodology for estimating the fee data account for individual fees for:		
a. Fee revenues?	N/A	Accounting system tracks actuals, and estimate is not necessary.
b. Costs to administer fees?	**Partially**	Because the accounting system cannot track actual expenses, DEQ estimates through a proration. This methodology is valuable as a preliminary estimate of fees. However, the methodology includes the prices of fee in the expense calculation and creates a feedback loop (as fee price increases more expenses are assigned to the fee and it appears to cost more to administer). Additionally, some explanations for surplus revenue in programs (fee groupings) is to cover overhead, which indicates that they do not account for overhead in these estimates.
3. Are the data calculations accurate for:		
a. Fee revenues?	**no**	The report included the following inaccuracies regarding revenues: 1) Though a few are justified, some total fee revenues do not equal "fee price X quantity". 2) The report shows other revenue sources (General Fund, Federal Funds, etc.) for some programs (fee groupings) and calculates the final difference (deficit or surplus) using these sources. This is inaccurate because it misrepresents the comparison of fee revenue to expenses. Moreover, some of those fee groupings with additional sources are less than total expenses, indicating an unreported additional source of funding for the program. 3) For the Used Oil and Waste Tires program, Fee Revenues do not equal collected Dedicated Credits. This discrepancy is legitimate as the statutory fees are collected by the tax commission, but this is not adequately explained in the submitted fee schedule.
b. Costs to administer fees?	**no**	Some cells and formulas are not accurately capturing totals and therefore the difference in costs.
4. Does entity publish the data for:		
a. Fee revenues?	**no**	No fee data published
b. Costs to administer fees?	**no**	No fee data published
5. Is the explanation for the difference adequate?	**Yes**	The agency explained all differences with the following issues: 1) Overhead is used to explain the surplus in the UST program (this should be part of the original calculation); 2) Ops Certification contained a code tracking error that should be addressed in FY 2019; 3) the X-ray program has a revenue surplus because it is subsidizing the Radioactive Materials program; and 4) many fee collections into the Environmental Quality Restricted Account collect a surplus for a statutory transfer to the Hazardous Substance Mitigation Account.

Department's Response with Plans Addressing the Issues with their Fee' Data

Accounting Data

The Utah Department of Environmental Quality (DEQ) has implemented changes in its cost accounting for both revenues and expenditures:

Revenues - In FY 2017, in response to increased requests for data on our fees and quantity of transactions, DEQ assigned an Activity code in the FINET accounting system to each individual fee in the DEQ fee schedule. This enables DEQ to track the fee revenue activity for each fee.

Expenditures – In FY2019, in response to increased requests for data on DEQ programs and to provide DEQ management more data for managing programs and employees, DEQ assigned activity codes to all services DEQ provides (i.e. inspections, permits, etc.). DEQ also is using Function codes when applicable to identify the entity for which the work is being done.

DEQ will continue to review the implementation of these cost-accounting changes which will provide additional information to determine fee changes in the future.

Fee Methodology

DEQ uses different methods to determine fees depending on the fee, programs included, and data available. DEQ's fee reports prepared for this committee for the last few years were segregated based on the different methods:

Actual cost. A cost code is established to record all costs of providing the specified activity or service. The fee charged is simply an accumulation of all costs in that cost code. The composition of the costs can vary and generally includes 3rd party contract services.

Hourly Rate. This fee is used when the service being performed can be directly tied to a request. It is primarily used for permitting which is mostly composed of personal services. DEQ calculates the hourly rate to recover the fully burdened cost of an average employee providing the service. The number of hours incurred is multiplied by the rate then billed to the requestor. DEQ reviews this fee annually to determine if a change is necessary.

Program Recovery. This method has a lot of variables. Basically, it is used when costs cannot be tied back specifically to an entity that has benefitted directly from the service or is required to participate. The fees paid are used to recover the full or partial cost of a program. If the fee covers only a portion, then other sources of revenue cover the remainder.

DEQ will review its method of allocating costs to the fees and other revenue sources to determine if there is a better approach than what has been done. DEQ will also provide better explanations on the fee report. Some decisions are subjective. DEQ will continue to evaluate these and will use the new expenditure cost accounting data to help determine the appropriate fee structure.

Data Calculation Accuracy

Compiling DEQ's fee report is a complicated process that involves input from many individuals and sources and various iterations of the data. In this process, a few errors in formulas and data were not detected. DEQ will modify its process to include additional reviews of the report and data to eliminate future errors.

Publishing Fee and Cost Data

DEQ is not aware of any specific requirements or requests to publish this data other than the request to provide the fee report to the committee.

Financial data on revenues and expenditures is available to the public in several ways:

1. Through the State's transparent.utah.gov website, provided by the Division of Finance;
2. Through the formal GRAMA process; and
3. Through DEQ's annual fee hearing process. (Generally, there is little interest in our fees unless there is significant change.)

Recently, there was a change to the Solid Waste Fees. Due to the interest in the fee, several meetings were held with the public and related industry. DEQ described in detail the costs that needed to be recovered by the fee and various methods of calculating the fee. Participants were able to ask questions and give comments. After considering feedback, DEQ implemented the cost –accounting changes noted in the Accounting Data section above.

We have met with other entities over the years and discussed in detail the composition of the costs included in the fees that they are assessed. DEQ believes that the best method to continue to deliver this information to interested parties is through existing processes.

Explanation of Differences

DEQ will work on providing more detailed and clear explanation of differences between the fee revenue and fee costs by subjecting the report to more internal reviews.