

Directive 407.1  
10/9/92

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

I. This Directive:  
PURPOSE

A. States the policy, gives responsibilities, and provides guidelines for preparing proposals to establish or adjust fees.

B. Sets forth requirements for funding liabilities of terminated fee-supported programs.

II. AUTHORITIES

A. The majority of the programs in AMS are user-funded. Fees are established for each of these programs to offset the cost of providing the service. The laws authorizing user-funded programs in AMS are:

1. The Agricultural Marketing Act of 1946 authorizing the grading programs.

2. The Tobacco Inspection Act and the Dairy and Tobacco Adjustment Act of 1983 authorizing tobacco inspection.

3. The Cotton Statistics and Estimates Act, the United States Cotton Standards Act, and the United States Cotton Futures Act authorizing cotton classing.

4. The Cotton Statistics and Estimates Act authorizing cotton service testing. The United States Cotton Standards Act authorizing cotton standards.

5. The Plant Variety Protection Act authorizing the issuance of "patent-like" certificates.

6. The Perishable Agricultural Commodities Act (PACA) of 1930 authorizing the PACA program.

7. The Food, Agriculture, Conservation and Trade Act of 1990 authorizing fees to be charged for Market News printed reports.

B. The first six of the above listed Acts require that the entire cost of providing the service be recovered through user fees. Such costs include all direct and indirect costs of providing the service, including salaries and other personnel costs (retirement, insurance, and leave); travel; rent; postage; maintenance and depreciation of equipment; supplies; and a proportionate share of Agency management and supervisory costs as well as accrued liabilities, which include severance pay, unemployment compensation, and unused leave costs.

C. The Act referred to in Paragraph A.7. above authorizes fees to recover postage, printing, and handling costs associated with the issuance of pamphlets, reports, or other statistical and economic research publications prepared in the Department of Agriculture.

III. POLICY

It is AMS policy that all user-funded activities recover the costs of providing services and that each program maintain a reasonable reserve to finance accrued liabilities. It is also Agency policy that annual fee analyses be prepared so that fee increases can be implemented either to coincide with annual pay raises or prior to the beginning of crop years.

IV. 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 and costs incurred while performing a service with the time or other applicable measurement required to perform the service, 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 which must be paid if a program terminates.

E. Unobligated balances are funds which have not been expended.

F. User fees represent assessments which are charged to recipients of a service.

V. APPROVAL OF RATE PROPOSALS  
The Office of the Administrator will approve all rate proposals (both new and revised) except when the responsibility for approval has been delegated to the Division Director.

VI. RESPONSIBILITIES  
A. The Administrator will review requests for changes, except those listed in Section V. above, and will determine whether fee changes will be proposed in the Federal Register.

B. Division Directors of fee-supported programs shall:

1. Maintain actual obligation, revenue, and workload data from official accounting records for the current and previous 2 years.

2. Determine current and one subsequent year's costs for services or activities to cover the direct and indirect costs to AMS for carrying out the activity.

3. Decide the appropriate time to initiate a fee analysis. At the same time, provide workload and revenue estimates to the Financial Management Division (FMD) so that a parallel analysis can be prepared.

4. Review activities and applicable costs, and prepare annual fee analyses to determine the adequacy of such fees and charges for AMS user-financed programs. These analyses should include the adequacy of fees for the current year and the subsequent year, considering estimated cost increases and fluctuations in workload.

5. Establish appropriate fees and charges for authorized services at rates which will recover as nearly as practicable the costs of such services and will maintain a reasonable reserve.

6. Maintain an unobligated balance level commensurate with governing legislation or AMS policy.

7. Work with FMD to reconcile any fee recommendation differences that may occur between the program and FMD analyses. If differences cannot be reconciled, the program Division Director is responsible for making the final decision on which fee will be recommended to the Administrator. The rationale for recommending a particular fee should be documented and maintained in both the program Division's and FMD's fee analyses files.

8. Recommend to the Administrator the appropriate fees to be charged.

C. The Director, FMD, shall:

1. Provide the program Divisions with AMS financial reports prepared by the National Finance Center. These reports are to be used, in conjunction with any other available program information, by Divisions in determining proper fees and charges.
2. Provide consultation and assistance to Divisions in developing methods to be used for identifying costs and determining adequacy of rates.
3. Prepare annual fee analyses on the basis of budgetary and financial records and reports available to FMD, and workload data and/or revenue developed in cooperation with the staff of fee-supported programs. These fee analyses should reflect the effect of various fees and various workload levels on the current year and the subsequent year, considering estimated cost increases.
4. Provide fee analyses, including the effect of various fees and workload levels on the program's financial status, to the respective program Division Director as additional information to be considered in determining the fee. FMD's fee analyses will not be the sole basis for setting fees but will supplement the analyses prepared by the staffs of fee-supported programs.
5. Prepare annual reports on user charges as required by the Department from fiscal and budget records and other data furnished by the respective Division under this and other AMS Directives.

VII.  
PREPARATION  
OF FEE  
ANALYSIS

A. Frequency of Analysis. Fee analyses are required 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, pounds graded, or other applicable indicators.
2. Object class data which 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.
4. A sensitivity analysis which details the impact on revenue and obligations resulting from varying workload data. A suggested format for the analysis is shown in Attachment 1. An example of a completed analysis is shown in Attachment 2.

VIII.  
SUBMISSION  
OF FEE  
ANALYSIS

A. The Division Director of the fee-supported program must follow the procedures prescribed below to secure approval for a fee change. Exceptions to this requirement are mailed Market News reports and fee programs covered by agreements provided for in other regulations.

1. Prepare a fee change docket as prescribed in the current edition of the Federal Register Document Drafting Handbook.
2. Submit the docket for clearance within the Department in accordance with instructions outlined in Departmental Regulation 1512-1, USDA Regulatory Decisionmaking Requirements, dated 9/7/90; and AMS Directive 123.1, Rulemaking Proceedings and Publication of Documents in the Federal Register, dated 5/24/90. Obtain a copy of these regulations, if needed, from FMD.

3. Forward a copy of the docket to the Regulatory Review Officer, Legislative and Regulatory Review Staff, Office of the Administrator, for clearance with the Office of Management and Budget.

B. To revise the subscription fee for printed Market News reports, the Division Director must follow the procedures outlined in Paragraph A.1., above. The Administrator is authorized (7 CFR Part 60.5(b)) to review and revise subscription fees.

IX.  
LEVEL OF  
UNOBLIGATED  
BALANCES

A. The Agency has determined, based on a study prepared by FMD, that each fee-supported program should maintain an unobligated balance of at least 4 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. Legislation which provides for a maximum level of an unobligated balance will take precedence over the requirements in this Directive.

C. Fee-supported programs not having sufficient unobligated balances to cover 4 months of operating expenses should plan to gradually increase user fees over a period of time to reach this level.

D. Market News subscription fee programs should maintain an unobligated balance sufficient to cover liabilities associated with the cost of terminating the printing and distribution of Market News reports.

X.  
FUNDING OF  
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 FMD to replace all funds utilized from those programs not terminated.

L. P. Massaro  
Deputy Administrator, Management

Attachment 1  
AMS Directive 407.1  
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SUGGESTED FORMAT OF ANALYSIS REPORT

SENSITIVITY (WHAT IF) ANALYSIS  
LIST ACTIVITY

(Tobacco Grading, Meat Grading, etc.)  
FY

Workload Indicators (1)

Current  
Estimated 95% of 105% of  
Pounds Current Current  
Bales/Hours Estimate Estimate

SERVICE PERFORMED: (2)

Base Hours  
 Premium Hours  
 Holiday Hours

PROJECTED REVENUE & COSTS:

REVENUE: (3)

Base Hours @:  
 Premium Hours @:  
 Holiday Hours @:

EXPENSES:

Program (4)  
 Division Management (5)  
 Agency Management (6)

TOTAL

PROFIT/(LOSS) @: (7)

OPERATING BALANCE AT  
 BEGINNING OF NEW FEE: (8)

OPERATING BALANCE 1 YEAR  
 AFTER IMPLEMENTATION OF  
 NEW FEE AT VARYING RATES:

Attachment 2  
 AMS Directive 407.1  
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EXAMPLE OF COMPLETED ANALYSIS REPORT

SENSITIVITY (WHAT IF) ANALYSIS  
 LIST ACTIVITY

(Tobacco Grading, Meat Grading, etc.)  
 FY 199 (1)

Workload Indicators

	Current	95% of	105% of
	Estimated	Current	Current
	Pounds	Estimate	Estimate
Bales/Hours			

SERVICE PERFORMED:

Base Hours	10,000	9,500	10,500
Premium Hours	3,000	2,850	3,150
Holiday Hours	100	95	105

PROJECTED REVENUE & EXPENSES

REVENUE:

Base Hours @:			
\$5.00	\$50,000	\$47,500	\$52,500
\$4.00	\$40,000	\$38,000	\$42,000
\$3.00	\$30,000	\$28,500	\$31,500

Premium Hours @:

\$10.00	\$30,000	\$28,500	\$31,500
\$ 9.00	\$27,000	\$25,650	\$28,350
\$ 8.00	\$24,000	\$22,800	\$25,200
Holiday Hours @:			
\$15.00	\$ 1,500	\$ 1,425	\$ 1,575
\$14.00	\$ 1,400	\$ 1,330	\$ 1,470
\$13.00	\$ 1,300	\$ 1,235	\$ 1,365
EXPENSES:			
Program	\$40,000	\$38,000	\$42,000
Division Management	\$10,000	\$ 9,500	\$10,500
Agency Management	\$ 3,500	\$ 3,325	\$ 3,675
TOTAL	\$53,500	\$50,825	\$56,175

FY 199 (2)

Workload Indicators

	Current		
	Estimated	95% of	105% of
	Pounds	Current	Current
	Bales/Hours	Estimate	Estimate

PROFIT/(LOSS):

Base/Premium/Holiday Hours:			
\$5.00/\$10.00/\$15.00	\$28,000	\$26,600	\$29,400
\$4.00/\$ 9.00/\$14.00	\$14,900	\$14,155	\$15,645
\$3.00/\$ 8.00/\$13.00	\$ 1,800	\$ 1,710	\$ 1,890

OPERATING BALANCE AT  
BEGINNING OF NEW FEE: \$10,000 \$10,000 \$10,000

OPERATING BALANCE 1 YEAR  
AFTER IMPLEMENTATION OF  
NEW FEE AT VARYING RATES:

Base/Premium/Holiday Hours:			
\$5.00/\$10.00/\$15.00	\$38,000	\$36,600	\$39,400
\$4.00/\$ 9.00/\$14.00	\$24,900	\$24,155	\$26,645
\$3.00/\$ 8.00/\$13.00	\$11,800	\$11,710	\$11,890

----- NOTES -----

Three levels are required: The current workload level and two levels which indicate the impact if the workload is less (e.g., 95%) than the current estimated level, or greater (e.g., 105%) than the estimated level.

List each service component for which fees are charged (i.e., regular hours, holiday, Saturday, Sunday, bales, lots, resident grading, etc.).

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

Direct program cost.

Division management includes the Director's office and administrative support.

Agency management includes all support Division costs assessed to the program Division (i.e., financial management, personnel, information resources management, Animal and Plant Health Inspection Service's administrative support to AMS, compliance, management services, Training Institute, etc.).

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

Determine the operating balance at the effective date of the fee increase and show the effect on the available balance of the three proposed workload levels in the revenue section.

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

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

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