



FY25 Agency Fee Guide

I. Introduction

The adoption, procedure, and approval of fees is set in [Utah Code 63J-1-504](#). This document provides additional guidance for the fee setting process, including the requirement that

A service fee or regulatory fee that a fee agency charges shall:

- (i) be reasonable and fair;*
- (ii) reflect and be based on the agency's cost for the fee; and*
- (iii) be established according to a cost formula determined by the executive director of the Governor's Office of Planning and Budget and the director of the Division of Finance in conjunction with the fee agency seeking to establish the fee.*

The Governor's Office of Planning and Budget (GOPB) and the Office of the Legislative Fiscal Analyst (LFA) utilize the [Fee Prep application](#) to ensure that fees follow the established review process, which includes public hearings, GOPB approval, and legislative approval. In addition to supporting the approval process, Fee Prep is also utilized to generate the text for the annual fee bill. In some cases fee rates, or the process for setting those rates is set by other statutes. When that is the case, agencies should refer to those specific statutes for any requirements that vary from the standard process. These other fees set in statute must still be entered in Fee Prep even though they are not included in the fee bill. This allows GOPB and the LFA to account for all fees in Fee Prep. If agencies have questions concerning the applicability of Utah Code 63J-1-504 when fees are established by another statute, please reach out to your GOPB analyst for further discussion.

General guidelines for Fee Prep data entry will be released by the LFA when the system is open for data entry. To supplement that guidance, this Agency Fee Guide document will continue to focus on the requirements for the fee setting process as designated by [HB 383, Agency Fee Assessment Amendments \(K. Christofferson\)](#) from the 2022 General Session, including identifying the type of fee (service or regulatory) and identifying agency costs for programs supported by fees. If you have any questions about any specific guidance in this document, please contact the GOPB budget and policy analyst assigned to support your agency.

II. Requirements for Fees

HB 383 required agencies to identify if each fee is a service fee or a regulatory fee. In addition, agencies are required to provide the following for all new or changed fees:

Previous Requirements that are Still in Place

- *The title or purpose of the fee;*
- *the present amount of the fee;*
- *the proposed new amount of the fee;*
- *the percent increase of the fee if approved by the legislature*
- *the estimated total annual revenue and total estimated annual revenue change that will result from the changed fee;*
- *the account or fund into which the fee will be deposited; and*
- *the reason for the change in the fee.*

New Requirements for FY24 Fees

- *The estimated number of persons to be charged the fee (new to statute, but currently captured in Fee Prep to calculate the estimated annual revenue);*
- *the estimated agency's cost related to the fee;*
- *whether the fee is intended to cover the agency's cost related to the fee;*
- *whether the fee agency intends to subsidize the fee to cover the agency's cost related to the fee and, if so, the fee agency's justification for the subsidy; and*
- *whether the fee agency set the fee at an amount that exceeds the agency's cost related to the fee and, if so, the fee agency's justification for the excess fee.*

Additional Requirements for FY25 Fees

- Continued legislative interest in fees means that we will expand on our work with fee costs and amounts charged. Agencies will work with their GOPB analysts to identify certain “high impact” fees that can be examined and conduct cost-justification analysis. We anticipate this to occur annually, with the final goal being the complete analysis of an agency’s entire fee catalog over the next several budget cycles. Please see the *Agency Costs Supported By Fees* section below for more information.

III. Fee Type (Regulatory, Service, or Internal Service Fund)

Agencies must categorize **all** their fees into service, internal service fund, or regulatory fees.

Service fees are defined as “a fee that an agency charges to cover the agency’s costs of providing the goods or services for which the fee is charged.” Examples of service fees include the following: printer fees, processing fees, clinic fees, entry fees, GRAMA fees, etc. Fees charged by internal services funds should be marked as service fees.

Internal service fund (ISF) fees are a specific type of service fee charged by one agency to another. Provisions for ISFs and fees charged by those ISFs are further outlined in Utah Code 63J-1-410.

Regulatory fees are defined as “a fee that an agency charges to cover the agency’s costs of regulating the industry in which the persons paying the fee operates.” Examples of regulatory fees include the following: licensing fees, inspection fees, background checks, permits, etc.

You will have three options to identify the fee type in Fee Prep. These options will provide flexibility to you as you decide on your own workflow for updating this and other fee information.

1. Dropdown on the main landing page

The following screenshot shows where we anticipate there will be a Fee Type column on the main landing page of Fee Prep. This column will likely have a drop-down menu for selecting the fee type.

Fee Name	Fee Type	Agency	Status	Inactive	Mod	Auth Amt	Auth Qty	Use Alt	Alt	Agency Amt	Agency Qty	In Stat	Stat Cd	Justification of Changes
Test 3	Service	Dept of Technology Services	LFA Review	N	N	N/A	N/A	N		\$10.00	1	N		Test
Test 6	Regulatory	Dept of Technology Services	Gov Review	N	N	N/A	N/A	N		\$10.00	100	N		TEST
Test 7	Regulatory Service	Dept of Technology Services	Agency Review	N	N	N/A	N/A	Y	TEST	\$10.00	10	N		TEST
Test 5	Service	Dept of Technology Services	LFA Review	N	N	N/A	N/A	Y	NEW TEST	\$10.00	10	N		Test
GPS Subscriptions	Service	Dept of Technology Services	Final	N	Y	\$600.00	0	N		\$600.00	803	N		
GIT Professional Labor	Regulatory	Dept of Technology Services	Final	N	Y	\$0.00	0	Y	see schedule below	\$0.00	1	N		
UGRC Plots		Dept of Technology Services	Final	N	N	\$6.00	0	N		\$6.00	1	N		Arclition of cloud

2. Edit Fee pop-up window.

Below you will see the Fee Type drop down menu located within the “Edit Fee” box.

The screenshot shows the 'Edit Fee' interface. On the left is a 'Fee Grid' with columns for Fee Name, Fee Type, and Agency. The main area is titled 'Edit Fee' and contains the following elements:

- This Fee is Organized Within These Categories:**
 - TEST
- Fee Name*:** Text input field containing 'Test 3'.
- Status:** Dropdown menu with 'LFA Review' selected.
- Fee Type*:** Dropdown menu with 'Service' selected.
- Amounts and Quantities:** A table with the following data:

Authorized Amount	Authorized Quantity	Authorized Alt Text
N/A	N/A	
- Right Sidebar:** Contains additional fee information and a table with columns 'Justification of Changes' and 'Last Mod By'. The table has three rows with values 'Test', 'TEST', and 'TEST'.

3. Newly added Import Fees spreadsheet

Below you will find the “Fee Type” category when using the “Import Fees” spreadsheet process.

The screenshot shows the 'Import Fees' interface. On the left is a 'Fee Grid' with columns for Fee Name, Fee Type, and Agency. The main area is titled 'Import Fees' and contains the following elements:

- Below are the steps to add/edit fees:**
 - To edit existing fees:
 - Export the fees from the desired agency in the 'Export' tab above.

NOTE: This import will only update the fee fields that are found within that export.

NOTE: You can delete fees by changing a fee's "Delete Fee" column to "Y".

CAUTION: Changes to any cells will override data in FeePrep. Only make edits to cells that you want to change.
 - OR
 - To add new fees:
 - Download [this template](#).
 - Enter your data in the
- Table:** A table with columns for Category, Fee Name, Fee Explain, Fee Type, Justification of Changes, and Description and Calculation. The Fee Type field has a dropdown menu with options 'Regulatory' and 'Service'.
- Right Sidebar:** Contains additional fee information and a table with columns 'Justification of Changes' and 'Last Mod By'. The table has three rows with values 'Bryson Oar' and 'J'.

IV. Agency Costs Supported by Fees

As part of HB 383's (2022 GS) requirements, Fee Prep will require agencies to submit additional information on any newly added or changed fees. This will include a requirement for calculating an agency's cost per fee (and the methodology behind that), clarification if the fee fully covers the cost of service, and whether the fee subsidizes or exceeds corresponding agency costs. Agencies will be required to calculate the estimated cost related to the fee for each of their new or changed fees this year. The "agency's cost" means all of a fee agency's direct and indirect costs and expenses for providing the goods or service for which the fee agency charges a fee or for regulating the industry in which the persons paying the fee operate.

- *Direct costs* are those costs that are directly attributable to the system and typically include personnel, travel, costs of goods sold, certain current expenses, data processing, and capital expenditures. Direct costs may be charged centrally. Direct costs also include the materials and supplies used to deliver the service requested.
- *Indirect costs* are generally incurred centrally and benefit multiple systems. Indirect costs may include personnel expenditures in administrative or executive directors' offices, centralized capital, "overhead" current expenses (including payroll processing, accounting services, computer usage, and other administrative services), and data processing expenditures.

The first step will be to identify fee-supported programs that provide services or perform regulator activities. GOPB and the LFA recognize that it is typical for a fee-supported program to receive revenue from multiple fees. Fee Prep will allow you to identify a fee supported program, the cost of that program, and how you determined those costs. Then you will be able to assign one or more fees to the program. While this guidance document uses the term "program", you are able to identify that program in a way that best aligns with a specific set of activities. In some cases, that may align with a program identified as part of an item of appropriation, but in many cases it will not.

After you have identified which programs are supported by fees, you will need to identify the cost of administering those programs. **If an agency already has a process by which they can identify their costs related to their relevant fees, then GOPB encourages them to use it.** However, in Fee Prep each agency will be required to outline their methodology and process for calculating their fees and how they arrived at each amount, so please be aware that you will need to "show your work".

If an agency needs help determining their costs, we encourage them to start by examining their operating expenses, which should include all direct and indirect administrative costs associated with their agency. It's also a good place to start with just a basic rundown of your revenue versus expenses.

Agencies are also encouraged to examine their FINET reports and relevant coding practices to help separate their fee revenue from the rest of their respective

appropriations. Any specific FINET coding that is used to track costs should be identified in Fee Prep. Additionally, agencies should be prepared to provide cost reports based on that coding that identify costs by major object categories such as personnel, in and out of state travel, current expenses, data processing expenses, etc., if requested by GOPB, the LFA, or legislative subcommittee.

Finally, after you have identified the cost of a fee-supported program, you will need to estimate the total fee revenue supporting that program to determine whether program costs equal fee collections, program costs exceed fee collections, or fee collections exceed program costs. This can typically be estimated by multiplying the fee amount by the fee quantity. Generally, the program costs should be nearly equal to fee collections. Because not all fees are adjusted every year, the cost vs. revenue calculation may consider multi-year trends.

While cost recovery is the general standard, there are cases when the two statutory requirements that fees “be reasonable and fair” and “reflect and be based on the agency's cost for the fee” are at odds. Recognizing this, as well as the flexibility of the agencies, the governor, and the legislature to set appropriate fee rates, the statute allows agencies to provide a justification for subsidies or excess collections. Fee Prep will include a text box to justify situations when subsidies or excess collections are in place. Situations where a subsidy or an excess collection for a fee would be justified would be where a fee agency is encouraging or discouraging certain behavior from fee payers to produce a positive or negative externality from the regulatory action. This could include a fee purposely set lower than would be to capture the cost in order for more individuals to participate in and benefit from the service provided. In contrast, a fee may be set higher than the actual cost of the service provided in order to discourage behavior, such as a higher hunting license for certain wildlife that might need greater protection through higher license fees. Both situations would require explanation from the fee agency to both GOPB and the LFA, which would be captured in Fee Prep.

Because of increased legislative interest in fees, for the FY25 budget cycle GOPB and the LFA will be requiring agencies to examine their “high performing” fees within their agencies in addition to new and changed fees. Please work with your GOPB analysts to identify fees that are either high in revenue or high in quantity administered, and analyze those fees in a similar way to how we are examining new or changed fees (identifying programs impacted, calculating the cost of administering the fee, and justifying whether the fee subsidizes other programs or not). The goal is to fully examine an agency's entire fee program over the next several years but in more manageable amounts instead of all at one time. GOPB recognizes that some agencies are more reliant on fees than others and may require extra assistance and time. Please notify your GOPB analyst if that is the case. If an agency has a smaller fee schedule, we encourage you to perform this exercise with as many fees as you deem reasonable for this budget cycle. If you have questions or concerns about this exercise, please notify your GOPB analyst.

V. Benefit to the Fee Payer

While the fee statute doesn't specifically address the benefits to the fee payer, agencies should consider and articulate this concept while preparing other required information such as the fee description, fee type (service or regulatory), fee rate, cost of fee-supported program, and justifications for subsidies or excess collections. This question should help agencies consider the necessity of this new fee when other fees might already exist. Does the fee payer gain a demonstrated benefit from this fee? Would this fee apply to numerous individuals, or just a small proportion of the population?

Another issue to consider is the rate at which the fee amount is reviewed and updated. Factors such as inflation, competitiveness of the current rate, and relevance of the fee should be thoughtfully considered each budget cycle. The Government Finance Officers Association (GFOA) encourages agencies to have transparent processes when it comes to calculating costs - not only for the benefit of customers (fee payers), but also for internal users statewide to understand.

VI. Additional Support

If at any time you feel confused or uncertain about these new requirements, please contact your GOPB analyst for assistance and clarification.

We also recommend the following links from GFOA for further reading on establishing fee rates and measuring the costs of service:

- <https://www.gfoa.org/materials/measuring-the-full-cost-of-government-service>
- <https://www.gfoa.org/materials/establishing-government-charges-and-fees>

VII. Fee Prep Requirements for HB 383 Compliance

For All Fees

1. Fee Type [Drop Down]
 - a. Regulatory
 - b. Service
 - c. Internal Service Fund (ISF)

For Each New, Changed, or High Impact Fee

2. What methodology was used to calculate the fee rate? Please mention any cost recovery factors that you considered while developing the rate. (previously combined with description) [Text Box]
3. What program does this fee support? [Short Text Box for the name of the program with Option to Lookup and Select Programs Already Entered in Fee]

Prep. We will design this new feature so you can link multiple fees to one program]

New for Each Program Funded by New or Changed Fees

4. Program Description [Medium text box for a short description of the program supported by fees]
5. What is the full cost of administering this fee-supported program? [\$ Amount]
6. How did you calculate the full program cost? Please include any applicable FINET coding that can be used to replicate the methodology. [Text Box]
7. To what extent do you recover the cost of administering the program with fees? [Drop Down]
 - a. Fully cover the cost of service or regulatory activities.
 - b. Subsidize other program activities.
 - c. Is subsidized by other funding sources.
8. Please provide a justification if the fees subsidize other program activities or if the program is subsidized by other funding sources besides fees. [Text Box, required if b or c was selected for #7]