

## ML 16 Direct and Necessary Agency Cost Calculator

	FY15 Shared Services Budget	FY13-FY14 FTE	FY14 Approp & Dedicated Revenue Budget	FY12-FY14 Average Allotments	Cost Per
<b>People Support:</b> FY15 HR Budget/2013-14 March/March FTE	\$3,303,803	2,270			\$1,455
<b>Safety Support:</b> FY15 Safety Budget/2013-14 March/March FTE	\$779,134	2,270			\$343
<b>Financial Support:</b> Source: FY15 OMBS Budget/FY14 Appropriated & Dedicated Revenue Budget	\$5,083,306		\$362,033,376		\$0.014
<b>Communication Support:</b> FY15 OCO Budget/2014 Allotments	\$3,094,411			2,503	\$1,236
<b>Computer Support:</b> FY14-15 MN.IT Services @ DNR SLA Budget (Governance Subtotal + IT Server Initiative/2013-14 March/March FTE)	\$6,342,862	2,270			\$2,794
<b>Planning Services:</b> FY15 Planning Budget/2014 Allotments	\$2,074,019			2,503	\$ 829
<b>Procurement Support:</b> FY15 Procurement Budget/2014 Allotments	\$588,678			2,503	\$235

## ML 16 Direct and Necessary Division Support Costs

Division business office and clerical support salary and fringe/division program costs = cost per \$

Division	Cost Per Dollar
Ecol. Water Resource	.0200
Forestry	.0109
Parks and Trails	.0162
Fish and Wildlife	.0148
Lands and Minerals	.0353



**DNR Direct & Necessary Cost Calculator**  
**ML16 ENRTF and OHF Proposals - Subtractive Model**

Updated April 1, 2015

*Fill in yellow cells to calculate services your program needs. All other cells are formulaic and locked.*

**Division:** **FAW**

**Project Title:** **Sentinel Lakes** Monitoring and Data Synthesis

Funding Request (including D&N)	Fee Title or Easement Acquisition	Pass-through Grants	Single-source Contract	All Other Costs		Metric	Metric Value	Number of Units	Total D&N
\$ 401,000				\$ 372,813	People Support	FTE	\$ 1,455	4	\$ 5,820
					Safety Support	FTE	\$ 348	4	\$ 1,372
					Financial Support	All Other Costs	\$ 0.014	\$372,813	\$ 5,219
					Communication Support	Allotments	\$ 1,236	2	\$ 2,472
					IT Support	IT User ID	\$ 2,794	4	\$ 11,176
					Planning Support	Allotments	\$ 829	2	\$ 1,658
					Procurement Support	Allotments	\$ 235	2	\$ 470
					Division Direct (project)	Cost/dollar (.0148)			\$ -
					Division Direct (program)	Cost/dollar (.0475)			\$ -
					Total Direct & Necessary:		\$	28,187	
					Project Costs before Direct and Necessary:		\$	372,813	
					Total Project Costs:		\$	401,000	

Personnel Necessary to Support Proposal						
Position Title	FTE's Funded	Years Funded	User ID's Required	Years Funded	FTE-Year Units	User ID Units
NR Specialist	2	2	2	2	4	4
					0	0
					0	0
					0	0
					0	0
					0	0
					0	0
SUM:					4	4

Number of Allotments Require		2
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**Notes on calculations**

People Support: FY15 HR Budget/2013-14 March/March FTE

Safety Support: FY15 Safety Budget/2013-14 March/March FTE

Financial Support: Source: FY15 OMBS Budget/FY14 Appropriations & Dedicated Revenue Budget

Communication Support: FY15 OCO Budget/2014 Allotments

Computer Support: FY15 MN.IT Services @ DNR SLA Budget (Governance Subtotal + IT Server Initiative/2013-14 March/March FTE)

Planning Services: FY15 Planning Budget/2014 Allotments

Procurement Support: FY15 Procurement Budget/2014 Allotments

Division Support: Cost/dollar (from D&N Cost Analysis)



# Department of Natural Resources

## Administrative Costs and Direct and Necessary Formula Overview

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LEGISLATIVE- CITIZEN COMMISSION ON  
MINNESOTA RESOURCES  
DECEMBER 2, 2015

## Administrative Costs and Direct and Necessary Formula Overview

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- **What are the administrative costs of the DNR and how do they relate to D&N?**
- Why is it important to recover these costs from the program that benefits from these activities?
- How do we recover the costs?

## DNR Administrative Support Structure

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- DNR administrative support services are operated under a shared services model.
- Shared services are the consolidation of business operations that are used by multiple parts of the same organization.
- Shared services are cost-efficient because they centralize back-office operations that are used by multiple divisions of the same company and eliminate redundancy.
- The goal of a shared services delivery model is to allow each business division to focus its limited resources on activities that support the division's business goals.

## DNR Administrative Support Structure

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- **Shared Services within the DNR include**
  - Financial Management
  - Human Resources
  - Management Resources
  - Office of Communications and Outreach
  - Office of Policy and Planning
  - Information Technology
- These costs are directly related to and necessary for all programs operating in the department.

## DNR Administrative Support Structure

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- **Financial Management**

- Procurement – purchasing of supplies and equipment
- Contract Administration – RFP development, bids, awards, sole source certifications, encumbrance, SWIFT management
- Accounts Payable – p-cards, travel, invoice payment for supplies, equipment, contracts
- Budget – BPAS and SWIFT set up, year end close out, project close out, spending plan certification, expenditure monitoring and oversight
- Reporting – standard and ad-hoc reports
- Internal Audit – Internal grant management audits, OLA facilitation

## DNR Administrative Support Structure

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- **Human Resources**

- Hiring
- Rating job descriptions
- Payroll
- Performance management
- Training
- Unemployment
- Workers compensation
- Lay-off and recall processing

## DNR Administrative Support Structure

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- **Management Resources**
  - Safety training programs
  - Asset management
- **Communications**
  - Website and publications support
  - Media support
- **Policy and Planning**
  - Project management support
  - Strategic planning
- **Information Technology**
  - Computer support
  - Network services
  - E-mail, phone, voice mail
  - Technical support

## DNR Administrative Support Structure

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- **Other administrative services include:**
  - Leadership
  - Rent/Mailroom
  - Regional Direct Cost Plans
  - Real Estate Services/Resource Assessment/Engineering Services
  - CEF/Fleet/Radios/Office Equipment (copiers, projectors, etc.)
- **These services are not included in the agency Direct and Necessary calculations and are only charged as direct costs as allowed by the project work plan. (i.e. – Real Estate Services)**



## DNR Administrative Support Structure

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- **Division support costs**
  - Similar to agency administration, divisions operate centralized business office to support all programs.
  - Costs are directly related to and necessary for the projects.
  - These are the costs division business/accounting services, and clerical support services for each project.

## Administrative Costs and Direct and Necessary Formula Overview

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- What are the administrative costs of the DNR and how do they relate to D&N?
- **Why is it important we recovery these costs from the program that benefits from these activities?**
- How do we recover the costs?

## Fund Integrity

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- DNR has been receiving and providing administrative support for ENRTF funds for 25 years.
- DNR administrative costs transitioned from direct appropriations to billed service from 2006 through 2012.
- With transition to billed services and the direct and necessary language in the law, DNR has developed the current calculations to meet fund integrity and the requirements in the law.

## Fund Integrity

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- State and federal laws and regulations require agencies to ensure all programs pay their fair share of administrative costs, and that any particular fund is not subsidizing other funds.
- **Minnesota Statutes 16A.127**
  - (a) Unless indirect cost recoveries are specifically appropriated in law, agencies are obligated to reimburse the general fund for all statewide indirect costs, and that portion of agency indirect costs attributable to recoveries of general fund expenditures. However, the commissioner may, for reasons of sound financial management, waive the reimbursement under this subdivision for certain non-general fund activities.

## Fund Integrity

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- **OMB Circular A-87/Super Circular**
  - Encouraging efficient use of information technology and shared services;
  - Outlines federal process to approve indirect costs allocation to ensure costs are allowable/necessary and a fair distribution of costs.
  - Requires that costs incurred for the same purpose in like circumstances must be treated consistently as either direct or indirect costs
  - Prohibits charging federal programs a disproportionate share of costs or risk losing federal funds.

## Fund Integrity

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- **Direct and Necessary process allows agencies to charge legacy/constitutional funds their share of agency administrative costs**
- **Without Direct and Necessary funding, other funding sources would need to subsidize ENRTF for administrative support activities.**
- **Examples of funding sources that would be impacted include:**
  - Parks and Trails
  - Water Programs
  - Recreational Fee programs (Water Recreation, Snowmobile, etc.)
  - Fishing and Hunting Licenses
  - Invasive Species
  - Forest Management

## Fund Integrity

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- FY 2009, shared services represented about 4.4% of the DNR's overall budget.
- FY 2010, Legacy funds increased the DNR budget by 24%
- Shared services increased, however, as a percent of the DNR budget it was reduced by 11% or around 4% of the overall DNR budget.
- Allocating costs to new programs allows for fund integrity to be maintained, ensuring all programs participate in the costs and efficiencies are shared across all programs.

## Administrative Costs and Direct and Necessary Formula Overview

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- What are the administrative costs of the DNR and how do they relate to D&N?
- Why is it important we recovery these costs from the program that benefits from these activities?
- **How do we recover the costs?**

## Shared Service Allocation

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- **DNR Shared Services paid through**
  - Shared Services Allocation to all DNR programs based on FTE and budget amount excluding:
    - ✦ ENRTF
    - ✦ OHF
    - ✦ Federal grants (offset)
    - ✦ Pass through activities
    - ✦ Revolving and clearing accounts
  - Federal Indirect Costs
  - Direct and Necessary
    - ✦ ENRTF
    - ✦ OHF

## Shared Service Allocation

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- **Why allocate costs versus direct charge?**
  - Direct charging is preferred method but must be efficient.
  - Administratively burdensome to track shared services activity.
  - Federal requirements prevent treating a similar activity as direct for some purposes and indirect for other.
  - Cost allocations provide efficient method to ensure all programs pay their fair share.
  - Cost allocations are used at all levels of government.

## Shared Service Allocation

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- DNR utilizes the following principles in establishing any cost methodology for shared services:
  - Is it equitable
  - Is it repeatable and accurate
  - Is it understandable
  - Is it manageable or predictable
  - Is it economical
- Methodology consistent with Minnesota Management and Budget guidelines

## Direct and Necessary Process

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- Classified costs as Direct, Agency Support or Division Support
- Classify certain costs as exempt from Direct and Necessary calculations
  - Sole source contracts
  - Pass-through grants
  - Land acquisition
- Reconciliation
- Annual review of process and calculator
- Formula - Handout