The background of the cover is a photograph of the Washington State Capitol building in Olympia. The building is a large, classical-style structure with a prominent central dome and a smaller dome to the right. It is surrounded by lush green trees and a well-maintained lawn. The sky is a clear, bright blue. In the bottom right corner, there is a black rounded rectangle containing the website address.

Washington State
Department of Licensing

2016 Supplemental Budget Submittal

dol.wa.gov



STATE OF WASHINGTON
DEPARTMENT OF LICENSING
PO Box 9020 • Olympia, Washington 98507-9020

October 5, 2015

David Schumacher, Director
Office of Financial Management
PO Box 43113
Olympia, WA 98504-3113

Dear Mr. Schumacher:

Enclosed is the Department of Licensing's (DOL) proposed 2016 Supplemental Budget for your review. This budget is based on Governor Inslee's goals for Healthy and Safe Communities, a Prosperous Economy, and Efficient, Effective, and Accountable Government.

The department is requesting funding for ongoing technology modernization, to address emergent compliance issues and respond to new workload related to federal mandates.

Business Technology and Modernization – Drivers Module: DOL requests funding to improve business processes through the replacement of the state's antiquated Drivers licensing system. This is part of the on-going Business and Technology Modernization (BTM) project. This supplemental request provides funding during fiscal year 2017 to start the implementation of the Drivers portion because the overall modernization project is ahead of schedule. The project supports more efficient vehicle and driver licensing services and revenue collection.

Washington Technology Solutions (WaTech) Server Rack Space Cost: DOL requests funding for increased server storage costs associated with moving to the new state data center, as directed in RCW 43.41A.150

Non-domiciled CDL/CLP: DOL requests funding to implement agency request legislation that allows DOL to issue Commercial Driver's Licenses (CDLs) and Commercial Learner's Permits (CLPs) to individuals who are non-permanent residents of the United States, which is allowed by federal regulations. This request will help restore and maintain the level of qualified CDL drivers that were available before new federal regulations went into effect in September 2015.

CDL Lawful Permanent Residency: DOL requests funding to certify and provide 10 percent assignment pay to 120 existing Licensing Service Representatives (LSR), and to hire 1 new LSR to validate proof of U.S. lawful permanent residency in response to new federal requirements placed on Commercial Driver Licenses (CDL) and Learner Permits (CLP). This request will help DOL maintain the performance target of customers experiencing wait times of less than 30 minutes, it also prevents CLP/CLP customers from having to driver significant distances, more than 200 miles in some instances.

David Schumacher
October 5, 2015
Page 2 of 2

In addition, the department seeks funding and/or spending authority to cover the increased cost of doing business, such as credit card cost increases related to the transportation revenue package enacted in 2015, and increases in vendor costs being experienced by particular programs in the Business and Professions Division.

We believe this budget clearly demonstrates our ongoing commitment to work towards a better, safer future for the state of Washington as we continue to implement smarter business strategies, enhance public safety, focus technology investments to meet customer expectations, and provide the best value to the people of Washington State. If you or your staff have any questions please contact me at (360) 902-3603 or Diamtris Winston, our Chief Budget and Forecasting Officer at (360) 902-3644.

Sincerely,



Pat Kohler
Director

Enclosure

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State of Washington
Agency Performance Measure
Incremental Estimates for the Biennial Budget

Agency:

Budget Period:

Activity:

Recommendation Summary

Budget Period: 2015-17 Agency: Department of Licensing Version: S1 Budget Level: (ALL) Sorted by: Agency Priority Show Locked Only: No Include RecSum Text: No	<table border="1"> <thead> <tr> <th><u>Element</u></th> <th><u>Selection</u></th> <th><u>Grp</u></th> </tr> </thead> <tbody> <tr> <td>Agy-Activity:</td> <td>(None)</td> <td></td> </tr> <tr> <td>Program:</td> <td>(None)</td> <td></td> </tr> <tr> <td>Sub-Program:</td> <td>(None)</td> <td></td> </tr> <tr> <td>Activity:</td> <td>(None)</td> <td></td> </tr> <tr> <td>Sub-Activity:</td> <td>(None)</td> <td></td> </tr> <tr> <td>Task:</td> <td>(None)</td> <td></td> </tr> </tbody> </table>	<u>Element</u>	<u>Selection</u>	<u>Grp</u>	Agy-Activity:	(None)		Program:	(None)		Sub-Program:	(None)		Activity:	(None)		Sub-Activity:	(None)		Task:	(None)		<table border="1"> <thead> <tr> <th><u>Element</u></th> <th><u>Selection</u></th> <th><u>Grp</u></th> </tr> </thead> <tbody> <tr> <td>Division:</td> <td>(None)</td> <td></td> </tr> <tr> <td>Branch:</td> <td>(None)</td> <td></td> </tr> <tr> <td>Section:</td> <td>(None)</td> <td></td> </tr> <tr> <td>Unit:</td> <td>(None)</td> <td></td> </tr> <tr> <td>Cost Center:</td> <td>(None)</td> <td></td> </tr> <tr> <td>Project:</td> <td>(None)</td> <td></td> </tr> <tr> <td>Sub-Project:</td> <td>(None)</td> <td></td> </tr> <tr> <td>Phase:</td> <td>(None)</td> <td></td> </tr> <tr> <td>Budget Unit:</td> <td>(None)</td> <td></td> </tr> </tbody> </table>	<u>Element</u>	<u>Selection</u>	<u>Grp</u>	Division:	(None)		Branch:	(None)		Section:	(None)		Unit:	(None)		Cost Center:	(None)		Project:	(None)		Sub-Project:	(None)		Phase:	(None)		Budget Unit:	(None)	
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Budget Unit:	(None)																																																				

Dollars in Thousands

	FY2 FTEs	General Fund State	Other Funds	Total Funds
M2 LM Limousine Inspections			240	240
M2 RS WaTech Server Rack Space Cost			120	120
M2 CC Increased Credit Card Costs			420	420
M2 9J Nonappropriated Fund Adjustment			100	100
M2 UL Unfunded Legislation 2015			159	159
Total Maintenance Level			1,039	1,039
% Change from Current Biennium				
PL N0 Business and Tech Modernization	3.0		8,479	8,479
PL N6 CDL Lawful Permanent Residency	1.0		1,422	1,422
PL N4 Non-domiciled CDL/CLP			369	369
2015-17 Total Proposed Budget	4.0		11,309	11,309
% Change from Current Biennium				

* Totals on this report may slightly differ from actual totals due to rounding.

Fund and FTE Detail by Fiscal Year

Budget Period: 2015-17			<u>Element</u>	<u>Selection</u>	<u>Grp</u>	<u>Element</u>	<u>Selection</u>	<u>Grp</u>	<u>Element</u>	<u>Selection</u>	<u>Grp</u>
Agency: Department of Licensing			Agy-Activity:	(None)		Division:	(None)		Project:	(None)	
Version: S1			Program:	(None)		Branch:	(None)		Sub-Project:	(None)	
Budget Level: (ALL)			Sub-Program:	(None)		Section:	(None)		Phase:	(None)	
Sorted by: Agency Priority			Activity:	(None)		Unit:	(None)		Budget Unit:	(None)	
Show Locked Only: No			Sub-Activity:	(None)		Cost Center:	(None)				
Include RecSum Text: No			Task:	(None)							
			Fiscal	Fiscal	Annual	Fiscal	Fiscal	Total Funds	Percent		
			Year 1	Year 2	Average	Year 1	Year 2		Share of		
			FTEs	FTEs	FTEs	Funds	Funds		Recsum		
LM	Limousine Inspections					120,000	120,000	240,000			
106-1	Highway Safety Acctnt-State					120,000	120,000	240,000	23.09%		
RS	WaTech Server Rack Space Cost					60,000	60,000	120,000			
106-1	Highway Safety Acctnt-State					60,000	60,000	120,000	11.55%		
CC	Increased Credit Card Costs						420,000	420,000			
108-1	Motor Vehicle Acctnt-State						420,000	420,000	40.41%		
9J	Nonappropriated Fund Adjustment					50,000	50,000	100,000			
15V-6	Funeral & Cemetery-Non-Appropriated					50,000	50,000	100,000	9.62%		
UL	Unfunded Legislation 2015					94,815	64,493	159,308			
04E-1	Uniform Comm Code-State					13,398		13,398	1.29%		
06L-1	Business Professions-State					81,417	56,770	138,187	13.30%		
108-1	Motor Vehicle Acctnt-State						7,723	7,723	0.74%		
Total Maintenance Level						324,815	714,493	1,039,308			
% Change from Current Biennium											
Total Maintenance Level Fund Totals											
04E-1	Uniform Comm Code-State					13,398		13,398	1.29%		
06L-1	Business Professions-State					81,417	56,770	138,187	13.30%		
106-1	Highway Safety Acctnt-State					180,000	180,000	360,000	34.64%		
108-1	Motor Vehicle Acctnt-State						427,723	427,723	41.15%		
15V-6	Funeral & Cemetery-Non-Appropriated					50,000	50,000	100,000	9.62%		
N0	Business and Tech Modernization			6.0	3.0		8,479,000	8,479,000			
106-1	Highway Safety Acctnt-State			6.0	3.0		8,479,000	8,479,000	82.56%		
N6	PL-N6 CDL Perm Residency	1.0	1.0		1.0	711,000	711,000	1,422,000			
106-1	Highway Safety Acctnt-State	1.0	1.0		1.0	711,000	711,000	1,422,000	13.85%		
N4	PL-N4 Non-domiciled CDL/CLP						368,559	368,559			
106-1	Highway Safety Acctnt-State						368,559	368,559	3.59%		

Fund and FTE Detail by Fiscal Year

	Fiscal Year 1 FTEs	Fiscal Year 2 FTEs	Annual Average FTEs	Fiscal Year 1 Funds	Fiscal Year 2 Funds	Total Funds	Percent Share of Recsum
2015-17 Total Proposed Budget	1.0	7.0	4.0	1,035,815	10,273,052	11,308,867	
% Change from Current Biennium							
2015-17 Budget Fund Summary Totals							
04E-1 Uniform Comm Code-State				13,398		13,398	0.12%
06L-1 Business Professions-State				81,417	56,770	138,187	1.22%
106-1 Highway Safety Accnt-State	1.0	7.0	4.0	891,000	9,738,559	10,629,559	93.99%
108-1 Motor Vehicle Accnt-State					427,723	427,723	3.78%
15V-6 Funeral & Cemetery-Non-Appropriated				50,000	50,000	100,000	0.88%

**240 Department of Licensing
2016 Supplemental**

**Limousine Inspections
ML2-LM**

Agency Recommendation Summary Text:

Department of Licensing (DOL) is requesting \$240,000 in additional spending authority to cover the increased costs of contracting with the City of Seattle for limousine inspection and enforcement operations in King County. (Highway Safety Fund – State)

Agency Total

Fiscal Detail

Operating Expenditures	<u>FY 2016</u>	<u>FY 2017</u>	<u>Total</u>
106 Highway Safety Fund	\$120,000	\$120,000	\$240,000
Total Cost	\$120,000	\$120,000	\$240,000

Package Description:

DOL requests \$240,000 in additional spending authority for the increased costs of contracting with the City of Seattle for limousine enforcement and inspection services in King County.

DOL licenses and regulates limousine carriers under chapter 46.72A RCW. Approximately 85 percent of the state's 900 licensed limousine carriers operate in the Seattle area. DOL and the City of Seattle have a cooperative agreement for inspection and enforcement under RCW 46.72A.150, at a rate of \$130,000 per fiscal year.

The City of Seattle has requested an additional \$240,000 per biennium to continue the contract, because current funding level doesn't cover the full costs of providing services. If funding is not increased, the city has stated that it will terminate the contract. Without the contract, enforcement and inspections must be done by the Washington State Patrol (WSP) and DOL. Neither agency has sufficient resources or staff capacity to sufficiently handle this workload.

Limousine licensing fee revenue, which is deposited into the Highway Safety Fund, is sufficient to cover this additional spending authority. During the 2013-15 biennium, DOL collected just over \$885,000 in fee revenue. The Limousine Program allotment during that same time period was \$569,000. DOL anticipates similar revenue amounts in the 2015-17 biennium.

Background

There are approximately 900 licensed limousine carriers in Washington operating over 1,500 vehicles. Limousine vehicles include stretch limousines, stretch SUVs, executive sedans, executive SUVs, executive vans, and classic cars. Limousine carriers pay an annual \$350 licensing fee and an annual \$75 fee for each vehicle they operate. Vehicles must be inspected before going into service and then each year. Licensees pay \$25 per inspection.

DOL entered into a cooperative agreement with the City of Seattle in 2012. Routine activities include the annual safety inspections for all limousines located in King County in accordance with

DOL and WSP requirements, street-level enforcement including vehicle standards compliance checks and investigations, complaint investigations, and limousine insurance verification.

The City of Seattle has requested an additional \$240,000 per biennium to cover its costs for limousine enforcement and inspections. Without a funding increase, the City of Seattle indicated it intends to terminate the cooperative agreement. Without a cooperative agreement in place, the annual inspection workload will revert to WSP and the enforcement workload will revert to DOL. Neither agency has the resources or staff to sufficiently handle this workload.

Agency subject matter expert:

Jody Sisk, DOL Limousine & For-Hire Program Manager, (360) 664-1539
Lewis Dennie, DOL Dealer & Manufacturer Services Section Administrator, (360) 664-6451

Narrative Justification and Impact Statement

Is this decision package essential to implement a strategy identified in the agency's strategic plan? (if so, please describe)

OM8 – Consumer Protection: Business professions emergency suspension/termination.
OP4 – Regulation & Compliance: Audits & inspections completed timely.

DOL is committed to providing efficient and effective services, acting as a trusted and credible partner, and improving public safety.

- Limousine carriers depend on an efficient inspection system in order to add new vehicles to their fleets and keep existing vehicles in service so that they can generate revenue.
- Regulatory partners, including WSP and the City of Seattle, count on DOL to manage the limousine regulatory program in a way that supports state and local public safety responsibilities.
- The public counts on DOL to make sure limousines on the road are safe and driven by a competent chauffeur.

Performance Measure Detail

Activity:

If limousine inspection availability declines, several measures in Results through Performance Management (RPM) could be negatively impacted, although in small amounts. For instance A017 #1699 "Timelines and revenue related to Number of professional licenses renewed" could decline if some licensees can't get an inspection. A004 #1717 "Number of traffic violations" could increase if some licensees are found to continue their business without an inspection.

Reason for change:

The City of Seattle has requested an additional \$240,000 per biennium to cover actual enforcement costs. The City of Seattle indicated it intends to terminate the agreement if the additional funding is not provided.

Does this decision package provide essential support to one or more of the Governor's Results Washington priorities? (If so, please describe)

This decision package supports the Governor's priorities to ensure public safety.

Impact on clients and services:

Maintaining the current inspection system in the Seattle area is the most practical way to keep the public safe and ensure limousine carriers are able to quickly put and keep their vehicles in service. The City of Seattle is best suited to conduct street-level enforcement.

Impact on other state programs:

Lack of funding will impact the WSP Commercial Vehicle Division. If the City of Seattle contract is terminated due to lack of funding, WSP will be required by law to assume the vehicle inspection of limousines under Chapter 46.72A.030 RCW Subsection (5). WSP lacks sufficient staffing resources to provide prompt King County limousine inspections in addition to its other inspection responsibilities, including large commercial vehicles and school buses.

Relationship to capital budget:

None.

Required changes to existing RCW, WAC, contract, or plan:

DOL's contract with the City of Seattle would need to be amended to reflect the increase.

What are the other important connections or impacts related to this proposal?

DOL has met regularly over the last several months with licensees, industry association representatives, and our regulatory partners, including the City of Seattle, King County, and WSP. The primary concern we've heard from licensees is the need to get new and current vehicles inspected quickly.

Alternatives explored by agency:

If the City of Seattle contract is terminated, WSP will be required by law to assume the vehicle inspection of limousines. WSP lacks sufficient staffing resources to provide prompt King County limousine inspections in addition to its other inspection responsibilities, including large commercial vehicles and school buses.

Budget impacts in future biennia:

The requested \$240,000 in additional authority will be used in future biennia to pay for contract services provided by the City of Seattle.

Distinction between one-time and ongoing costs:

Funds requested are for ongoing costs.

Effects of non-funding:

Without funding, the City of Seattle has indicated it would exercise its right to terminate the cooperative agreement, which it can do with 10 days' notice. Limousine carriers and the public would be immediately impacted by inspection delays and lack of street-level enforcement.

Limousine carriers will lose revenue if the City of Seattle terminates the agreement by extending the time it takes to put or keep vehicles in service. The average wait time for an inspection in May and June of 2015, through the City of Seattle, was 10 days. WSP anticipates this would increase to at least 6 weeks without Seattle conducting these inspections.

Without timely inspections of carriers and street-level enforcement in Seattle, safety violations and unlicensed activity will likely increase. More than 40 percent of all inspections conducted by the City of Seattle fail the first time, many failures are due to safety-related issues.

Revenue Calculations and Assumptions:

Limousine carrier and vehicle fees generated approximately \$885,000 in the 2013-15 biennium. DOL's Limousine Program allotment during the same biennium was \$569,000. Fees collected are deposited into the Highway Safety Fund. Increased spending authority can be sustained at current revenue levels.

Expenditure Calculations and Assumptions:

All requested funds will be remitted to the City of Seattle following an amended cooperative agreement that will reflect increased inspection and enforcement costs.

<u>Object Detail</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>Total</u>
E Goods and Services	\$120,000	\$120,000	\$240,000
Total	\$120,000	\$120,000	\$240,000

<u>Object E Breakdown:</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>15-17 Total</u>	<u>17-19 Total</u>	<u>19-21 Total</u>
ER Purchased Svcs	\$120,000	\$120,000	\$120,000	\$240,000	\$240,000
Total Goods & Svcs	\$120,000	\$120,000	\$120,000	\$240,000	\$240,000

Expenditures by Budget

	<u>FTEs</u>			<u>Operating Expenditures</u>		
	<u>15-17</u>	<u>17-19</u>	<u>19-21</u>	<u>15-17</u>	<u>17-19</u>	<u>19-21</u>
<u>Transportation Funds</u>						
Program 70T:	0.0	0.0	0.0			
Highway Safety Fund				\$240,000	\$240,000	\$240,000
	0.0	0.0	0.0	\$240,000	\$240,000	\$240,000

**240 Department of Licensing
2016 Supplemental**

**WaTech Server Rack Space Cost
ML2 - RS**

Agency Recommendation Summary Text:

The Department of Licensing (DOL) requests funding to pay for \$120,000 in increased server storage costs associated with the mandatory move to the new state data center. (Highway Safety-State)

Agency Total

Fiscal Detail

Operating Expenditures		<u>FY 2016</u>	<u>FY 2017</u>	<u>Total</u>
106 Highway Safety Fund		\$60,000	\$60,000	\$120,000
	Total Cost	\$60,000	\$60,000	\$120,000
Staffing				
	FTEs	<u>FY 2016</u>	<u>FY 2017</u>	<u>Total</u>
		0.0	0.0	0.0
Revenue Detail				
		<u>FY 2016</u>	<u>FY 2017</u>	<u>Total</u>
		\$0	\$0	\$0
	Total Revenue	\$0	\$0	\$0

Package Description:

This request is for the incremental amount of the ongoing costs of server hosting provided by Washington Technology Solutions (WaTech).

RCW 43.41A.150 directs state agencies to “locate all existing and new servers in the state data center.” In June 2015, DOL finished moving its servers to the new state data center (SDC). The costs for server hosting in the new SDC are higher than what DOL was paying at the Office Building 2 (OB2) data center.

DOL received funding for the server move in the FY14 Supplemental budget, but the ongoing costs for hosting were not known at that time. All FY14 Supplemental funding related to move costs was removed during carry-forward.

DOL was using 17.5 server racks in the OB2 data center at the cost of \$336,000 a biennium. In an effort to mitigate the higher costs, through efficiencies, rack space in the new data center was reduced to 14 racks. However, updated SDC lease rates include power usage, and the total

estimated cost is now \$456,000 a biennium. This creates an unfunded budget shortfall of \$120,000.

Background

DOL's move to the new data center was funded in the FY14 Supplemental budget. Based on cost figures available at that time, DOL insufficiently estimated an annual ongoing costs of \$46,450 in its decision package. This estimate was based on very high-level assumptions made by DOL and CTS. All FY14 Supplemental funding related to move costs was removed during carry-forward.

Carry-forward analysis is now available, and the rate increase between OB2 rates and SDC rates are clear, documented, and unavoidable. Enclosure rates range from \$650 for half an enclosure to \$2,500 for a full enclosure at 12KW (kilowatt) per month. The new rate schedule is heavily weighted toward power usage. The rate increases by \$500 per month for every additional 2.5KW over the first 5KW.

Data Center space in the new SDC is a fee-for-service program and agencies are requesting additional funding as needed.

Agency Subject Matter Expert: Jim Henly, Chief Technology Officer, (360) 664-6547

Narrative Justification and Impact Statement

Several DOL's services and performance measures rely on properly functioning information technology systems and support infrastructure.

Performance Measure Detail

DOL has several measures in Budget Activities A001-A021 that may be impacted if server outages increase. For instance, A001 (Self-Service Transactions) may show a decline in transaction volume or an increase in transaction time if system outages occur. Server outages are targeted to have less than 1 percent downtime. Currently outages are running at approximately 2 percent.

Does this decision package provide essential support to one of the Governor's priorities? (If so, please describe)

DOL server availability can impact the Governor's Goal 5 for efficient, effective and accountable government. The Information Services Division of DOL continues to track and report on outages as part of the Results DOL performance criteria for efficiency and effective services. Additional funds needed to cover higher hosting costs will ensure DOL can continue to update equipment as needed to mitigate end of life and technology upgrade needs.

Impact on clients and services:

Additional computing reliability ensures that fewer customers experience outages.

Impact on other state programs:

None.

Relationship to capital budget:

None.

Required changes to existing RCW, WAC, contract, or plan:

None.

What are the other important connections or impacts related to this proposal?

None.

Alternatives explored by agency:

- DOL was using 17.5 server racks in the OB2 data center, in an effort to mitigate the higher costs, through efficiencies, rack space in the SDC was reduced to 14 racks. DOL was unable to mitigate the full cost increase.
- If DOL absorbs increased server storage costs associated with moving to the SDC, the department would have to reduce other services, equipment maintenance and replacement.

Budget impacts in future biennia:

All costs are ongoing in future biennia.

Distinction between one-time and ongoing costs:

All costs are ongoing.

Effects of non-funding:

The additional funds needed to pay for the rack space at the SDC will need to come from existing resources that may affect the agency's ability to maintain IT infrastructure that is used to support core business functions including support to internal and external partners, data and revenue collection.

Revenue Calculations and Assumptions:

None.

Expenditure Calculations and Assumptions:

Requested funds will pay for services provided by WaTech. The agency is not requesting funds for indirect administrative costs such as for payroll, personnel and related tasks.

<u>Object Detail</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>Total</u>
E Goods and Services	\$60,000	\$60,000	\$120,000
Total	\$60,000	\$60,000	\$120,000

<u>Object E Breakdown:</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>15-17 Total</u>	<u>17-19 Total</u>	<u>19-21 Total</u>
EZ Other Goods & Svcs	\$60,000	\$60,000	\$120,000	\$120,000	\$120,000
Total Goods & Svcs	\$60,000	\$60,000	\$120,000	\$120,000	\$120,000

Information Technology Addendum

Recsum Code and Title: ML2- RS WaTech Server Rack Space Cost
Brief Description: Funding request to cover increased service based costs.

If this investment includes the use of servers, do you plan to use the state data center?

Yes No, waiver received No, waiver not received Does not apply

Business Transformation – This set of criteria will be used to assess IT proposals supporting business changes to improve services or access to information for agency customers or citizens.

Business process improvement: Primary goal of the proposal is to transform an agency business process. This criterion will be used to assess the transformative nature of the project.

(INTENT: Incent agencies to take transformative projects that may include risk.)

The Server Rack Space decision package is not considered a transformative initiative, as DOL successfully moved its servers from OB2 (Office Building 2) to the new data center last biennium. This request is for additional funding to cover increased service based costs not originally known during the move.

Risk mitigation: Primary goal is to mitigate risks associated with transformative initiatives. This criterion will be used to determine if the initiative provides adequate resources to mitigate risks associated with a transformative initiative. Risk planning may include budgeting for independent quality assurance, organizational change management, training, staffing, etc.

(INTENT: Drive business value by encouraging risk taking that is well managed.)

This is a funding request to cover increased service based costs resulting from DOL moving its data center from OB2 to the new State Data Center. Therefore the decision package has no associated risk mitigation plan as the original move has been previously implemented.

Customer-facing value: Add value in short increments. This criterion will be used to determine if the initiative provides “customer-facing value” in small increments quickly to drive agile strategy.

(INTENT: Drive agencies to producing value more quickly and incrementally.)

The Server Rack Space decision package delivers daily value to customers providing accessibility to our business applications hosted in the state data center for conducting business with DOL. Without availability to these applications, customers would not be able to renew their licenses online through the License Express application, purchase vehicle and vessel tabs at subagent offices, and it would deny DOL staff the ability to process professional license applications.

Open data: New datasets exposed. This criterion will be used to assess if the initiative will increase public access to searchable, consumable machine-readable data from agencies. (INTENT: Drive agencies to make more data available to citizens. We also value making data available internally for better decision making.)

The decision package doesn't improve transparency of data.

Transparency/accountability: Project is clear, measurable, and immediate. This criterion will be used to assess if the initiative specifies the following: (1) Are the goals articulated? (2) Are performance outcomes identified, quantified and measurable? (INTENT: Award more points for better project and outcome performance measures.)

The decision package's primary business goal is to balance DOL's Information Technology budget through supplemental funding to maintain on-going services provided by the State Data Center. The outcome of these services is continual and can be measured immediately by the reliability and availability of DOL's business applications to our customers, partners and staff.

Technology Strategy Alignment – This set of criteria will be used to assess the alignment of the request to the larger technology strategy of the state.

Security: Improve agency security. This criterion will be used to assess the improvements to the overall security posture for an agency. (INTENT: Award additional points to projects where intent is to improve the security across an agency.)

The decision package's primary purpose is to cover increased service base costs resulting from DOL moving its data center to the more secure facility, the State Data Center.

Modernization of state government: Cloud first. This criterion will be used to assess if the initiative will result in replacing legacy systems with contemporary solutions that drive our cloud-first strategy. (INTENT: Drive agencies to look more intently at leveraging cloud-based solutions.)

The infrastructure in the State Data Center will host DOL's new COTS solutions that will implement as part of our modernization projects; Business and Technology Modernization Vehicles and the Central Issuance System – both implementing significantly newer technology solutions, but are not cloud based.

Mobility: New mobile services for citizens. This criterion will be used to assess the contribution of the initiative to support mobile government services for citizens and a mobile workforce. (INTENT: Drive agencies to look for ways to deliver results and services that are accessible to citizens from mobile devices. While we also value mobility for employees, we place greater value on mobility for citizens.)

This decision package does not provide improvement to a mobile experience for customers.

Interoperability: Adds value in six months. This criterion will be used to determine if the initiative provides a technology system or software application that distributes, consumes or exchanges data.

(INTENT: Drive agencies to acquiring and/or developing systems that are interoperable across the state enterprise.)

The DOL systems hosted in the State Data Center interoperate with other systems. New connections can be implemented to external systems via custom development.

Financial – This set of criteria will be used to assess the initiative’s financial contribution, including the extent the initiative uses other fund sources, reduces cost for the state, or captures new or unrealized revenue.

Captures new or unrealized revenue: This criterion is calculated based on the amount of new or unrealized revenue captured by the end of the 2017-19 biennium as a proportion of total investment. To get the full points in this category, projects must capture at least five times the amount of the investment by the end of the 2017-19 biennium.

No new or unrealized revenue is captured under this decision package.

Reduces costs: This criterion is calculated based on the amount of cost reduction by the end of the 2017-19 biennium as a proportion of total investment. To get the full points for this criterion, projects must reduce costs by at least two times the amount of the investment by the end of the 2017-19 biennium.

This decision package does not include a reduction in costs.

Leverages federal/grant funding: This criterion is to calculate the degree in which projects are funded by federal or grant dollars. Projects that are fully funded by federal or grant sources receive full points.

This decision package will not make use of federal grant dollars.

**240 Department of Licensing
2016 Supplemental**

**Increased Credit Card Costs
ML2-CC**

Agency Recommendation Summary Text:

The Department of Licensing requests funding to pay increased credit card fees associated with additive transportation funding and appropriations through implementation of Engrossed Substitute Senate Bill 5987 as enacted in the 2015 session. (Motor Vehicle Fund)

Agency Total

Fiscal Detail

Operating Expenditures		<u>FY 2016</u>	<u>FY 2017</u>	<u>Total</u>
108	Motor Vehicle Fund	\$0	\$420,000	\$420,000
	Total Cost	\$0	\$420,000	\$420,000

Staffing

FTEs	<u>FY 2016</u>	<u>FY 2017</u>	<u>Total</u>
	0.0	0.0	0.0

Revenue Detail

<u>Fund</u>	<u>Source</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>Total</u>
Total Revenue		\$0	\$0	\$0

Package Description:

The 2015 Legislature passed a Transportation Revenue Bill (ESSB 5987) which creates additive transportation funding and appropriations. Additive revenue generated by the revenue package increases the cost of credit card transaction fees paid to credit card companies. DOL is charged credit card fees on each online transaction conducted by its customers. The average per transaction credit card fee is 2.2 percent.

Section 202 of ESSB 5988 appropriated \$4,000,000 from the Motor Vehicle Account–State to fund DOL’s implementation of the 2015 transportation revenue bill during 2015-17. DOL’s fiscal note for ESSB 5987 estimated implementation cost at \$4,420,000 during 2015-17. Because of the funding gap, DOL made a decision to underfund allotments for credit card charges in order to fully fund required program activities and one-time IT system modifications that were identified in its fiscal note.

DOL requests an additional \$420,000 to pay increased credit card fees associated with additive transportation funding and appropriations through implementation of the Engrossed Substitute Senate Bill 5987.

Agency subject matter expert on this topic: Diamatrix Winston, Budget and Forecasting Officer, (360) 902-3644

Narrative Justification and Impact Statement

How contributes to strategic plan:

Is this decision package essential to implement a strategy identified in the agency's strategic plan? (if so, please describe)

- DOL's mission includes collecting revenue that supports the state's transportation system.
- DOL's strategic plan includes providing the most efficient and effective services. Providing online licensing services is part of the strategy.

Performance Measure Detail

Activity:

Almost half of DOL's active Results DOL measures are currently on target, and all of these measures cover mission-critical work. Implementing new legislation without adequate funding or by shifting existing resources towards implementation can result in service and performance issues.

Reason for change:

The revenue package that during the 2015 Legislative Session resulted in new and increased fees for certain types of DOL transactions. New and increased fees result in additional credit card transaction charges paid to credit card companies.

Does this decision package provide essential support to one or more of the [Governor's priorities](#) as defined in his five goal maps? (If so, please describe)

- The request to increase DOL's appropriation to pay for additional credit card charges generated by online transactions supports the Governor's Goal 5 for Efficient, Effective and Accountable Government. In particular DOL is contributing to the Governor's outcome measure 1.1 for increasing customer satisfaction, which DOL customers rank highest for online services. DOL is also contributing to the leading indicator 1.1a to increase online services and those available for mobile devices, as nearly 5 million online vessel and drivers transactions occurred in the 2013-15 biennium.
- Implementation of the transportation revenue legislation also directly impacts the Governor's Goal 2 of a prosperous economy, as reflected by measures 3.1 and 3.2 for reliable infrastructure and sustainable transportation.

Impact on clients and services:

No direct impact on customers conducting online transactions. If additional funding is not appropriated for credit card fees, DOL will need to determine what existing services will be reduced or reprioritized to implement the revenue package as enacted.

Impact on other state programs:

No other state programs are affected.

Relationship to capital budget:

None.

Required changes to existing RCW, WAC, contract, or plan:

None.

What are the other important connections or impacts related to this proposal?

DOL's ability to pay for core activities is impacted if components of the revenue package are implemented without additional funding.

Alternatives explored by agency:

DOL plays a key role in implementing the 2015 transportation revenue package so that the state collects additive revenue as anticipated through ESSB 5987. Absorbing the implementation costs across programs responsible for implementing the revenue package is one alternative. This alternative would require DOL to evaluate what other service levels would be permanently reduced or reprioritized. This alternative was rejected because the underfunded amount is significant enough to impact customer satisfaction, outcome measures, and other revenue collection.

Budget impacts in future biennia:

Credit card charges represent ongoing costs in future biennia.

Distinction between one-time and ongoing costs:

Credit card fee expenditures are ongoing. DOL received approximately \$4 million each biennium to implement the 2015 transportation revenue package. DOL's allotment for increased credit card costs associated with the revenue package is underfunded by \$420,000 in the 2015-17 biennium; underfunded by \$412,000 in the 2017-19 biennium; and underfunded by \$439,000 in the 2019-21 biennium.

Effects of non-funding:

DOL is responsible for paying credit card charges generated by on-line transactions. Not obtaining funds would require DOL to reduce existing customer service and support functions to avoid overspending in impacted program areas.

Revenue Calculations and Assumptions:

None.

Expenditure Calculations and Assumptions:

The table provided below shows DOL's estimated implementation costs for the entire transportation revenue package based on the DOL's fiscal note for ESSB 5987.

Estimated Expenditures from:

	FY 16	FY 17	15-17 Total	17-19 Total	19-21 Total
FTE Staff Years	10.7	23.8	17.3	15.7	15.2
Highway Safety	15,047	33,013	48,060	73,198	93,167
Motor Vehicle	1,660,830	2,711,168	4,371,998	4,339,541	4,346,312
Total	1,675,877	2,744,181	4,420,058	4,412,739	4,439,479

Customer Relations Division

Approximately 28 percent of customers renew their vehicle registrations, driver licenses, and identification cards online and pay with a credit card. Approximately 75 percent of Reports of Sale are filed online. There is a credit card fee of 2.2 percent applied to the amount of the underlying transaction.

The following table shows estimated credit card costs associated with implementing components of the 2015 transportation revenue package. DOL requests the additional \$420,000 to pay for the underfunded increase in credit card fees.

Calculation of Estimated Credit Card Fees related to ESSB 5987

	FY 17	FY 18	FY 19	FY 20	FY 21	FY 22
Report of Sale Revenue	\$4,232,300	\$3,323,800	\$3,014,800	\$3,014,800	\$3,014,800	\$3,014,800
Report of Sale 75% On-line	\$3,174,225	\$2,492,850	\$2,261,100	\$2,261,100	\$2,261,100	\$2,261,100
2.2 % Credit Card Fee (Fund 108)	\$69,833	\$54,843	\$49,744	\$49,744	\$49,744	\$49,744

Vehicle Renewal Fees						
License Weight Fees (4000-10,000 Pounds)	\$40,092,600	\$40,226,000	\$40,275,400	\$40,292,300	\$40,415,000	\$40,549,100
Passenger Weight Fees	\$86,394,800	\$88,476,700	\$90,341,100	\$91,447,000	\$92,552,800	\$93,682,300
License Weight Fees by Weight Over 10,000 Pounds	\$10,200,000	\$10,233,900	\$10,245,800	\$10,249,200	\$10,279,200	\$10,312,100
Electric Vehicle Fees	\$0	\$0	\$0	\$0	\$0	\$0
Hybrid Vehicle Fees	\$59,600	\$62,900	\$66,400	\$70,100	\$74,000	\$78,100
License Plate Technology Fee Increase	\$6,433,000	\$6,541,200	\$6,638,800	\$6,704,400	\$6,771,600	\$6,838,300
DOL Services Account Fee Increase	\$12,866,000	\$13,082,400	\$13,277,600	\$13,408,900	\$13,543,100	\$13,676,600
Total Vehicle Renewal Fees	\$156,046,000	\$158,623,100	\$160,845,100	\$162,171,900	\$163,635,700	\$165,136,500
Vehicle Renewal Fees 29% On-line	\$45,253,340	\$46,000,699	\$46,645,079	\$47,029,851	\$47,454,353	\$47,889,585
2.2% Credit Card Fees (Fund 108)	\$995,573	\$1,012,015	\$1,026,192	\$1,034,657	\$1,043,996	\$1,053,571

Enhanced Driver Licenses Revenue	\$853,900	\$836,400	\$800,900	\$769,100	\$775,800	\$797,700
EDL Revenue 27% On-line	\$230,553	\$225,828	\$216,243	\$207,657	\$209,466	\$215,379
2.2% Credit Card Fees (Fund 106)	\$5,072	\$4,968	\$4,757	\$4,568	\$4,608	\$4,738

Total Credit Card Fees	\$1,070,479	\$1,071,826	\$1,080,693	\$1,088,969	\$1,098,348	\$1,108,053
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Object Detail

	FY 2016	FY 2017	Total
E Goods and Services		\$420,000	\$420,000
Total		\$420,000	\$420,000

<u>Object E Breakdown:</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>15-17 Total</u>	<u>17-19 Total</u>	<u>19-21 Total</u>
EZ Other Goods & Svcs		\$420,000	\$420,000	\$412,000	\$440,000
Total Goods & Svcs	\$0	\$420,000	\$420,000	\$412,000	\$440,000

Expenditures & FTEs by Program	Staffing			Operating Expenditures		
	<u>FY 2016</u>	<u>FY 2017</u>	<u>Average</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>Total</u>
300 - Customer Relations	0.0	0.0	0.0	\$0	\$420,000	\$420,000
Agency Total	0.0	0.0	0.0	\$0	\$420,000	\$420,000

**240 Department of Licensing
2016 Supplemental**

**Nonappropriated Fund Adjustment
(Increased Funeral and Cemetery Legal Costs)
ML2-9J**

Agency Recommendation Summary Text:

The Department of Licensing (DOL) requests \$100,000 in additional spending authority to fund increased Attorney General (AG) legal costs in the Funeral and Cemetery Program due to increased public complaints and disciplinary cases. (15V Funeral and Cemetery Account non-appropriated dedicated account).

Agency Total

Fiscal Detail

Operating Expenditures	<u>FY 2016</u>	<u>FY 2017</u>	<u>Total</u>
15V Funeral/Cemetery	\$50,000	\$50,000	\$100,000
Total Cost	\$50,000	\$50,000	\$100,000

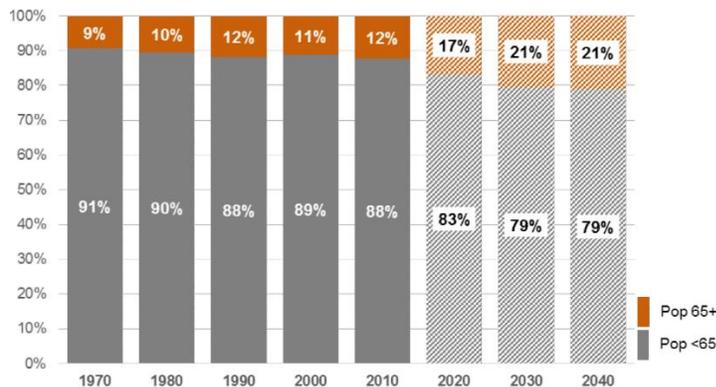
Package Description:

DOL currently has 4,168 licensees in the Funeral and Cemetery Program.

The number of complaints received by the Funeral and Cemetery Program has increased over the last five years. Continued population growth in the state will impact these costs in the future. Current trends show the 65+ population growing faster than any other age group.

2.2.2 Nature of Change: Doubling of Older Population by 2030

In addition to population growth, the State's 65 and older population is expected to double its size in twenty years. (Figure 2-2) By 2030, more than one of every five Washingtonians will be an elderly person.



Source: Office of Financial Management, Washington State, 2014

The following table shows death rate by calendar year (Department of Health Statistics).

Death Rate by Calendar Year (Department of Health Statistics)

	2010	2011	2012	2013	2014
Total	48,249	49,759	50,152	51,255	52,062

This request is for an additional \$100,000 in spending authority to fund the increased Attorney General (AG) legal costs moving forward. Program revenue can support the request for additional spending authority on an on-going basis.

Disciplinary cases handled by the Funeral and Cemetery Program are mostly consumer generated and some are a result of financial audits of trust funds.

Overview of Funeral and Cemetery Complaints (by fiscal year)¹

	FY11	FY12	FY13	FY14	FY15
# Complaints					
Opened	65	59	77	120	98
Closed	42	43	68	71	142
TOTAL	107	102	145	191	240
Complaint Disposition					
Closed with no action	40	40	52	46	64
Informal Charges (BAP)	None	None	None	23	51
Formal charges issued	2	3	16	2	27

The FY 2014 and FY 2015 increase in charges issued represents an increase to the severity of disciplinary cases.

There was a 67 percent increase in AG legal costs between the 2009-2011 and the 2011-2013 biennia and a 38 percent increase between the 2011-2013 and 2013-2015 biennia. Comparing FY2010 AG expenditures to FY2015, AG expenditures increased by 157 percent. The program is unable to continue to absorb additional AG costs.

Funeral and Cemetery Attorney General Legal Costs

Costs	FY 10	FY 11	09-11 Bien Total	FY 12	FY 13	11-13 Bien Total	FY 14	FY 15	13-15 Bien Total
Funeral & Cemetery	29,751	23,596	53,347	52,488	36,688	89,176	46,328	76,442	122,769

¹ Complaints may not be resolved within the fiscal year they were received. The length of time to process a complaint depends on its complexity, the amount of investigation needed and whether the violation rises to formal disciplinary charges.

Agency subject matter expert: Lorin Doyle, Administrator, Regulatory Boards Section, 360-664-1386

Is this decision package essential to implement a strategic initiative or improve strategic outcome measures identified in the agency's [Strategic Plan](#)? (if so, please describe)

- OM8c: Consumer Protection: Business and Profession emergency suspension/termination.
- OP4b: Regulation and Compliance: Investigations completed timely.
- OP4c: Regulatory complaints acknowledged timely.

Performance Measure Detail

Reason for change:

Change is caused by growth in consumer complaints and disciplinary cases handled by the Funeral and Cemetery Program. Increased caseload drives the demand for legal services provided by the Attorney General. This request supports the core function of the Board to regulate the funeral and cemetery industries, which is tied to the agency's mission of advancing public safety and consumer protection through licensing, regulation and education; and contributes to the agency's vision of providing the highest level of service and commitment to public safety.

Does this decision package provide essential support to one or more of the [Governor's priorities](#) as defined in his five goal maps? (If so, please describe)

This decision package supports the Funeral and Cemetery Board's ability to regulate, which contributes to the Governor's priority of Healthy & Safe communities.

Impact on clients and services:

Both the public and industry are negatively impacted if adequate regulatory oversight and corrective action are not provided. This request does not increase licensing fees.

Impact on other state programs:

Licensees regulated by the Funeral and Cemetery Program have responsibilities to the Department of Health and local governments. Some licensees serve consumers referred by programs within Labor & Industries (e.g., Crime Victims Compensation), foreign consulates or non-profits. These stakeholders have requested the program investigate complaints against licensees and have used the Board's legal dispositions to help guide consumers who use their services.

Increased spending authority maintains the program's ability to take legal actions such as petitioning Superior Courts for civil enforcement against repeat offenders. DOL provides copies of legal action to partner agencies like the Department of Health, and Labor and Industries for additional enforcement measures.

Relationship to capital budget:

None.

Required changes to existing RCW, WAC, contract, or plan:

None.

What are the other important connections or impacts related to this proposal?

The increased spending authority will allow the program to continue taking appropriate action against licensees who violate state law or rule in order to mitigate public harm.

Alternatives explored by agency:

DOL has used several methods to minimize AG costs.

In 2014, the Funeral and Cemetery Board began using the Brief Adjudicative Proceedings (BAP) process, which does not require AG resources. The BAP process allows the program to issue informal charging documents for a limited set of violations, such as failure to submit required annual reports for trust accounts and failure to submit proof of continuing education. The BAP process is not feasible for severe violations. For example, the BAP process is not used when trust funds are misused and in instances where the wrong deceased person is cremated.

DOL also conducts site visits at least once a year and offers technical assistance to prevent violations. The program also offers technical assistance in the form of remedial counseling for first-time violations that do not result in public harm.

If the program cannot afford AG services, only the most egregious disciplinary cases would move to charges possibly placing the public and industry at risk.

Budget impacts in future biennia:

This decision package requests \$100,000 in additional and ongoing expenditure authority. The program is self-funded through the non-appropriated Funeral and Cemetery Account. Current and future revenue can support this increase.

AG spending by biennium

Biennium	2011-2013	2013-2015	2015-2017
Allotment	\$71,220	\$74,726	\$74,726 +100,000 DP request
Costs	\$89,176	\$122,769	Estm \$174,726

Distinction between one-time and ongoing costs:

This request is for on-going Attorney General legal costs.

Effects of non-funding:

Without increased spending authority, the program would continue to overspend on AG costs at the risk of underfunding operations or overspending the budget. If the program cannot afford AG services, only the most egregious disciplinary cases would move to charges possibly placing the public and industry at risk.

Last biennium, the program was forced to delay hiring much needed staff to offset overspending on AG legal costs. Staff shortage and the increased number of consumer complaints is creating a workload burden on the program.

Revenue Calculations and Assumptions:

No fee increase is needed. The program’s fund balance is forecasted to increase and can support this request (see table below):

Fund Balance (in thousands):

Actual 2011-2013		Current 2013-2015		Forecast 2015-2017		Forecast 2017-2019	
FY 12	FY 13	FY 14	FY 15	FY 16	FY 17	FY 18	FY 19
354.8	440.4	793.1	754.6	718.6	825.6	774.8	908.6

To prevent an excessive fund balance, the program has a temporary partial fee suspension in place as of January 1, 2015. The suspension expires on January 1, 2017.

Projected 2015-2017 Revenue and Expenditure Data

Estimated 2013-2015 Biennium Fund Balance	\$708,761
Add: 2015-2017 Projected Revenue	1,544,160
Less 2015-2017 Projected Expenditures	(1,512,000)
Less Requested Attorney General Increase	(100,000)
Projected 2015-2017 Biennium Fund Balance	\$640,921

Expenditure Calculations and Assumptions:

The request is for an increase in spending authority for AG costs (Object EM) only. This will prevent overspending of the program's operational budget.

<u>Object Detail</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>Total</u>
E Goods and Services	\$50,000	\$50,000	\$100,000
Total	\$50,000	\$50,000	\$100,000

<u>Object E Breakdown:</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>15-17 Total</u>	<u>17-19 Total</u>	<u>19-21 Total</u>
EM Attorney Gen Svcs	\$50,000	\$50,000	\$100,000	\$100,000	\$100,000
Total Goods & Svcs	\$50,000	\$50,000	\$100,000	\$100,000	\$100,000

<u>Expenditures & FTEs by Program</u>	<u>Staffing</u>			<u>Operating Expenditures</u>		
	<u>FY 2016</u>	<u>FY 2017</u>	<u>Average</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>Total</u>
700 - Business & Professions	0.0	0.0	0.0	\$50,000	\$50,000	\$100,000
Agency Total	0.0	0.0	0.0	\$50,000	\$50,000	\$100,000

**240 Department of Licensing
2016 Supplemental**

**Unfunded Legislation (2015)
ML2-UL**

Agency Recommendation Summary Text:

The Department of Licensing requests funding to implement three bills that were enacted, but not funded in the 2015 session. (Uniform Commercial Code, Business and Professions, Motor Vehicle Fund).

Agency Total

Fiscal Detail

Operating Expenditures	<u>FY 2016</u>	<u>FY 2017</u>	<u>Total</u>
04E Uniform Comm. Code Acct	\$13,398	\$0	\$13,398
06L Business & Profession	\$81,417	\$56,770	\$138,187
108 Motor Vehicle Fund	\$0	\$7,723	\$7,723
Total Cost	\$94,815	\$64,493	\$159,308

Staffing

	<u>FY 2016</u>	<u>FY 2017</u>	<u>Total</u>
FTEs	0.1	0.1	0.1

Revenue Detail

	<u>Fund</u>	<u>Source</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>Total</u>
Total Revenue			\$0	\$0	\$0

Package Description:

The Department of Licensing (DOL) requests funding for three bills that were enacted, but not funded in the 2015 session. DOL prepared fiscal notes for these enacted bills.

DOL provided fiscal notes for the enacted but unfunded legislation. To avoid negative and unintended impacts to the agency's core activities and overspending by impacted program areas, new funding is needed to fully implement the legislation.

The total estimated implementation cost for these three bills is \$159,000.

1. HB 1063 Cosmetology: \$138,000 (dedicated account; additional authority need)
2. HB 1090 Financial Fraud: \$13,000
3. SHB 1480 Intermittent-Use Trailers: \$8,000

Agency subject matter expert on this topic: Diamatris Winston, Budget and Forecasting Officer 360-902-3644

Narrative Justification and Impact Statement

Is this decision package essential to implement a strategic initiative or improve strategic outcome measures identified in the agency's [Strategic Plan](#)? (if so, please describe)

These bills have a link to DOL's mission of advancing public safety and consumer protection. HB 1063 requires minimum training, safety and sanitation standards for licensed hair design professionals. HB1090 funds financial fraud and ID theft investigation and prosecution. SHB 1480 improves trailer registration.

Performance Measure Detail

No performance measures are expected to show change that correlates directly to these bills or funding; only indirect correlation between these bills and consumer outcomes is expected.

Does this decision package provide essential support to one or more of the [Governor's priorities](#) as defined in his five goal maps? (If so, please describe)

These bills support the Governor's Goal 5 for healthy and safe communities.

Impact on clients and services:

If funding is not obtained, DOL will need to determine what existing services would be reduced or reprioritized to implement the legislation.

Impact on other state programs:

Other state programs are not impacted by DOL's request.

Relationship to capital budget:

None.

Required changes to existing RCW, WAC, contract, or plan:

None.

What are the other important connections or impacts related to this proposal?

If DOL absorbs the costs of implementing these bills, the agency would have to reduce other services.

Alternatives explored by agency:

DOL must implement the legislation and the alternative would be to absorb the costs. The agency would need to evaluate what other service levels would be reduced or reprioritized.

Budget impacts in future biennia:

There are ongoing costs associated with the implementation of enacted legislation. Expenditure details are provided below.

Distinction between one-time and ongoing costs:

One-time costs include systems programming for:

- HB 1063 Cosmetology
- HB 1090 Financial Fraud

Additional one-time costs are for:

- HB 1063 Cosmetology; postage and printing.

Ongoing costs include:

- SHB 1480 Intermittent-Use Trailers: salary and benefits for a partial Tax Policy Specialist FTE, associated supplies, and ongoing purchase of trailer decals.

Effects of non-funding:

Not obtaining funds would require DOL to reduce existing customer service and support functions to avoid overspending in impacted program areas.

Revenue Calculations and Assumptions:

None.

Expenditure Calculations and Assumptions:

Calculations are based on fiscal notes previously submitted. Expenditure summaries for each bill are provided below.

HB 1063 Cosmetology

This bill modifies provisions relating to cosmetology, barbering, esthetics, and manicuring and adds the practice of hair design and online distance learning. Below is the expenditure impact showing the cost of program changes in FY16 and system changes in FY17. In FY16 DOL assumes 4 workshops and 4 meetings with the Cosmetology advisory board for rulemaking activities and exam development and review.

HB 1063 Cosmetology	FY 16	FY 17	15-17 Total	17-19 Total	19-21 Total
FTE Staff Years	0.4		0.2		
Salaries and Wages	9,685		9,685		
Employee Benefits	2,687		2,687		
Personal Service Contracts					
Goods and Services	49,853	56,770	106,623		
Travel	18,912		18,912		
Equipment					
Other					
Other					
TOTAL	81,137	56,770	137,907		

Object E Breakdown:	FY 16	FY 17	15-17 Total	17-19 Total	19-21 Total
EA Office Supplies	2,000		2,000		
EB Postage	37,240		37,240		
EF Printing	8,064		8,064		
EM Attorney Gen Svcs/Costs	2,201		2,201		
ER Application Programmers		56,770	56,770		
EZ Other Goods & Svcs	348		348		
Total Goods & Svcs	49,853	56,770	106,623		

HB 1090 Financial Fraud

This bill reauthorizes and expands the financial fraud, identity theft crimes investigation and prosecution program. The bill increases the surcharge for paper filings from \$8 to \$10 and the surcharge for electronic filings from \$3 to \$10 per filing. It became effective July 1, 2015. Below is the expenditure impact showing the cost of system changes in FY16.

	FY 16	FY 17	15-17 Total	17-19 Total	19-21 Total
Goods and Services	13,393		13,393		
TOTAL	13,393		13,393		

Object E Breakdown:	FY 16	FY 17	15-17 Total	17-19 Total	19-21 Total
ER Application Programmers	13,393		13,393		
Total Goods & Svcs	13,393		13,393		

SHB 1480 Intermittent-Use Trailers

The bill creates a new category of trailer to be registered with the state, called the Intermittent-use Trailer. Below is the expenditure impact showing the cost of forecast staffing and goods (plates, tabs, postage).

	FY 16	FY 17	15-17 Total	17-19 Total	19-21 Total
FTE Staff Years		0.10	0.05	0.10	0.10
Salaries and Wages		4,045	4,045	16,178	16,178
Employee Benefits		999	999	3,996	3,996
Goods and Services		2,707	2,707	10,243	3,834
TOTAL		7,751	7,751	30,417	24,008

Object E Breakdown:	FY 16	FY 17	15-17 Total I	17-19 Total I	19-21 Total I
EA Plates & Tabs		2,298	2,298	8,607	2,198
EA Office Supplies		38	38	150	150
ED Facility/Lease Costs		299	299	1,196	1,196
EG Training		27	27	106	106
EL Interagency DP Svcs		17	17	70	70
EN Personnel Services		28	28	114	114
Total Goods & Svcs		2,707	2,707	10,243	3,834

Job Classification	Salary	FY 16	FY 17	15-17 Total	17-19 Total	19-21 Total
Tax Policy Specialist 3	80,892		0.05	0.03	0.10	0.10
Total FTEs		0.00	0.05	0.03	0.10	0.10

The following is a summary of IT system change costs:

Months of Contract work:	Developer / Tester	Analyst	Project Manager	QA Oversight	Contingency
Unfunded:					
HB 1063 Cosmetology	1.2	0.3	0.1	0.6	\$5,161
HB 1090 Financial Fraud	0.2	0.1	0.1	0.1	\$1,218
SHB 1480 Intermittent-Use	0	0	0	0	\$0
Rate/Month:	\$18,444	\$25,752	\$27,492	\$31,668	10%

	Developer / Tester	Analyst	Project Manager	QA Oversight	Contingency	Total
HB 1063 Cosmetology	\$22,133	\$7,726	\$2,749	\$19,001	\$5,161	\$56,770
HB 1090 Financial Fraud	\$3,689	\$2,575	\$2,749	\$3,167	\$1,218	\$13,398
Total	\$25,822	\$10,301	\$5,498	\$22,168	\$6,379	\$70,168

The totals for all three bills are as follows:

<u>Job Classification</u>	<u>Salary</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>15-17 Total</u>	<u>17-19 Total</u>	<u>19-21 Total</u>
Tax Policy Specialist	80,892	0.00	0.05	0.03	0.10	0.10
Fiscal Tech 2	44,928	0.10		0.05		
Total FTEs		0.10	0.05	0.08	0.10	0.10

<u>Object Detail</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>Total</u>
A Salaries and Wages	\$10,300	\$4,045	\$14,345
B Employee Benefits	\$2,340	\$999	\$3,339
E Goods and Services	\$63,263	\$59,449	\$122,712
G Travel	\$18,912		\$18,912
Total	\$94,815	\$64,493	\$159,308

<u>Object E Breakdown:</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>15-17 Total</u>	<u>17-19 Total</u>	<u>19-21 Total</u>
EA Plates & Tabs		\$2,298	\$2,298	\$8,607	\$2,198
EA Office Supplies	\$2,000	\$38	\$2,038	\$151	\$151
EB Postage	\$37,240		\$37,240		
EF Printing	\$8,064		\$8,064		
ED Facility/Lease Costs		\$299	\$299	\$1,197	\$1,197
EM Attorney Gen Svcs	\$2,201		\$2,201		
EG Staff Training	-	27	\$27		
EL DIS Shared Svcs & HRISD f		\$17	\$17	\$70	\$70
ER Application Programmers	\$13,398	\$56,770	\$70,168		
EZ Other Goods & Svcs	\$360	\$0	\$360		
Total Goods & Svcs	\$63,263	\$59,449	\$122,712	\$10,024	\$3,615

Information Technology Addendum

Recsum Code and Title: ML2-UL Unfunded Legislation (2015)

Brief Description: Multiple bills were enacted in the 2015 legislative session, but were not funded. To avoid negative and unintended impacts to DOL’s core activities and overspending by impacted program areas, new funding is required to fully implement the legislation.

- HB 1063: Requires minimum training, safety and sanitation standards for licensed hair design professionals.
- HB1090: Funds financial fraud and ID theft investigation and prosecution.
- SHB 1480: Improves trailer registration.

If this investment includes the use of servers, do you plan to use the state data center?

- Yes No, waiver received No, waiver not received Does not apply

Business Transformation – This set of criteria will be used to assess IT proposals supporting business changes to improve services or access to information for agency customers or citizens.

Business process improvement: Primary goal of the proposal is to transform an agency business process. This criterion will be used to assess the transformative nature of the project.

(INTENT: Incent agencies to take transformative projects that may include risk.)

This project is not a transformative initiative. The unfunded legislation that passed expands services available to customers though existing business applications, using current process standards.

Risk mitigation: Primary goal is to mitigate risks associated with transformative initiatives. This criterion will be used to determine if the initiative provides adequate resources to mitigate risks associated with a transformative initiative. Risk planning may include budgeting for independent quality assurance, organizational change management, training, staffing, etc.

(INTENT: Drive business value by encouraging risk taking that is well managed.)

This project will use DOL’s Internal Quality Assurance Oversight program to help mitigate project risk during the implementation of the expanded programs for financial fraud and identify theft crimes investigation and prosecution; and the new Cosmetology Hair Design professional license endorsement. Resources have been dedicated to train staff on identified business process changes.

Customer-facing value: Add value in short increments. This criterion will be used to determine if the initiative provides “customer-facing value” in small increments quickly to drive agile strategy.

(INTENT: Drive agencies to producing value more quickly and incrementally.)

The project will deliver customer-usable value every 6-12 months, depending upon the effective date of the law change. The financial fraud and identity theft crimes program expansion implemented in less than one month in July 2015. Six months later, January 2017, both the new Hair Design Cosmetology professional license endorsement and the intermittent-use trailers plates will be available.

Open data: New datasets exposed. This criterion will be used to assess if the initiative will increase public access to searchable, consumable machine-readable data from agencies. (INTENT: Drive agencies to make more data available to citizens. We also value making data available internally for better decision making.)

The project doesn't improve transparency of data.

Transparency/accountability: Project is clear, measurable, and immediate. This criterion will be used to assess if the initiative specifies the following: (1) Are the goals articulated? (2) Are performance outcomes identified, quantified and measurable? (INTENT: Award more points for better project and outcome performance measures.)

Upon implementation of each legislative project, DOL will use the below criterion to assess if the project outcomes are delivered on-time:

1. DOL started charging fee increases for Financial Statements and distributed them to financial fraud and identity theft on 7/1/2015.
2. DOL will provide the option for cosmetologists to add the practice of hair design starting 1/1/2017, 5 months after rule-making completes.
3. Intermittent use trailer plates will be available starting 1/1/2017, the effective date of the bill.

Technology Strategy Alignment – This set of criteria will be used to assess the alignment of the request to the larger technology strategy of the state.

Security: Improve agency security. This criterion will be used to assess the improvements to the overall security posture for an agency. (INTENT: Award additional points to projects where intent is to improve the security across an agency.)

As DOL will be modifying existing systems to implement these changes, the project will have no impact on the agency's security posture or infrastructure.

Modernization of state government: Cloud first. This criterion will be used to assess if the initiative will result in replacing legacy systems with contemporary solutions that drive our cloud-first strategy. (INTENT: Drive agencies to look more intently at leveraging cloud-based solutions.)

This project will have no impact to the modernization of state government.

Mobility: New mobile services for citizens. This criterion will be used to assess the contribution of the initiative to support mobile government services for citizens and a mobile workforce.

(INTENT: Drive agencies to look for ways to deliver results and services that are accessible to citizens from mobile devices. While we also value mobility for employees, we place greater value on mobility for citizens.)

As this project will be modifying existing systems, it will not improve customers mobile experience.

Interoperability: Adds value in six months. This criterion will be used to determine if the initiative provides a technology system or software application that distributes, consumes or exchanges data.

(INTENT: Drive agencies to acquiring and/or developing systems that are interoperable across the state enterprise.)

This project implements changes on existing systems where new connections can be made to external systems via custom development.

Financial – This set of criteria will be used to assess the initiative’s financial contribution, including the extent the initiative uses other fund sources, reduces cost for the state, or captures new or unrealized revenue.

Captures new or unrealized revenue: This criterion is calculated based on the amount of new or unrealized revenue captured by the end of the 2017-19 biennium as a proportion of total investment. To get the full points in this category, projects must capture at least five times the amount of the investment by the end of the 2017-19 biennium.

The financial fraud and identity theft project will collect revenue with the intent to fund more investigations.

- The project captures more than five times the amount of DOL’s planned \$13,393 expenditure to collect and distribute the increased \$1.67 million estimated cash receipt.
- Overall, the multi-agency project plans to use all cash receipts, \$1,676,540, to fund the expanded program with an estimated total expenditure of \$1,689,933.

DOL does not know how many individuals will obtain the hair design license endorsement; cash receipt estimates are unavailable to calculate if the project captures at least five times the investment.

Reduces costs: This criterion is calculated based on the amount of cost reduction by the end of the 2017-19 biennium as a proportion of total investment. To get the full points for this criterion, projects must reduce costs by at least two times the amount of the investment by the end of the 2017-19 biennium.

No cost reductions are realized with this project.

Leverages federal/grant funding: This criterion is to calculate the degree in which projects are funded by federal or grant dollars. Projects that are fully funded by federal or grant sources receive full points.

This project will not make use of federal grant dollars.

**240 Department of Licensing
2016 Supplemental**

**Business and Technology Modernization
PL-N0**

Agency Recommendation Summary Text:

The Department of Licensing (DOL) requests funding to improve business processes through the replacement and consolidation of the state’s antiquated Drivers licensing system as part of the on-going Business and Technology Modernization (BTM) project. This supplemental request provides funding during fiscal year 2017 to start the implementation of the Drivers portion of the project ahead of schedule. (Highway Safety Fund-State).

Agency Total

Fiscal Detail

Operating Expenditures		<u>FY 2016</u>	<u>FY 2017</u>	<u>Total</u>	
106	Highway Safety Fund	\$0	\$8,479,000	\$8,479,000	
	Total Cost	\$0	\$8,479,000	\$8,479,000	
Staffing					
		<u>FY 2016</u>	<u>FY 2017</u>	<u>Total</u>	
	FTEs	0.0	6.0	3.0	
Revenue Detail					
	<u>Fund</u>	<u>Source</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>Total</u>
	Total Revenue		\$0	\$0	\$0

Package Description:

Funding is requested to begin implementation of the Drivers portion of DOL’s Business and Technology Modernization (BTM) project. This supplemental budget request is for costs associated with moving implementation activities originally planned for the 2017-19 biennium into the 2015-17 biennium. These costs include commercial off-the-shelf (COTS) system related costs, vendor-provided professional services, and 6.0 FTEs for internal staffing support for Drivers system implementation activities in FY 2017.

Funds will be used to start the modernization of the Drivers system following the scheduled Vehicles system rollout in January 2017. The Vehicle licensing portion of the modernization project will be completed in 18 months instead of 24 months that the original timeline laid out. The Drivers system modernization will be completed by June 2018, six months ahead of the original timeline. The accelerated implementation schedule allows completion of the Vehicles and Drivers systems in three years rather than the original four year plan. The accelerated schedule was the result of the final negotiated sole-source contract with the vendor. The contract was reviewed and approved by the Department of Enterprise Services (DES) and the Office of the Chief Information Officer (OCIO).

The technology modernization project supports more efficient vehicle and driver licensing services and revenue collection. These functions are dependent on the usability and reliability of the supporting information technology infrastructure. Modernized systems will provide employees with enhanced tools and information. This enables DOL and contracted vehicle licensing offices at county auditor offices and subagents to provide better and faster customer service, support continuous process improvement and effectively measure work output. Project completion ensures tools and data are in place to provide reliable and timely customer service performance metrics, including improved wait times, better data reporting capability and the ability to make system modifications and legislative changes faster and generally with lower costs.

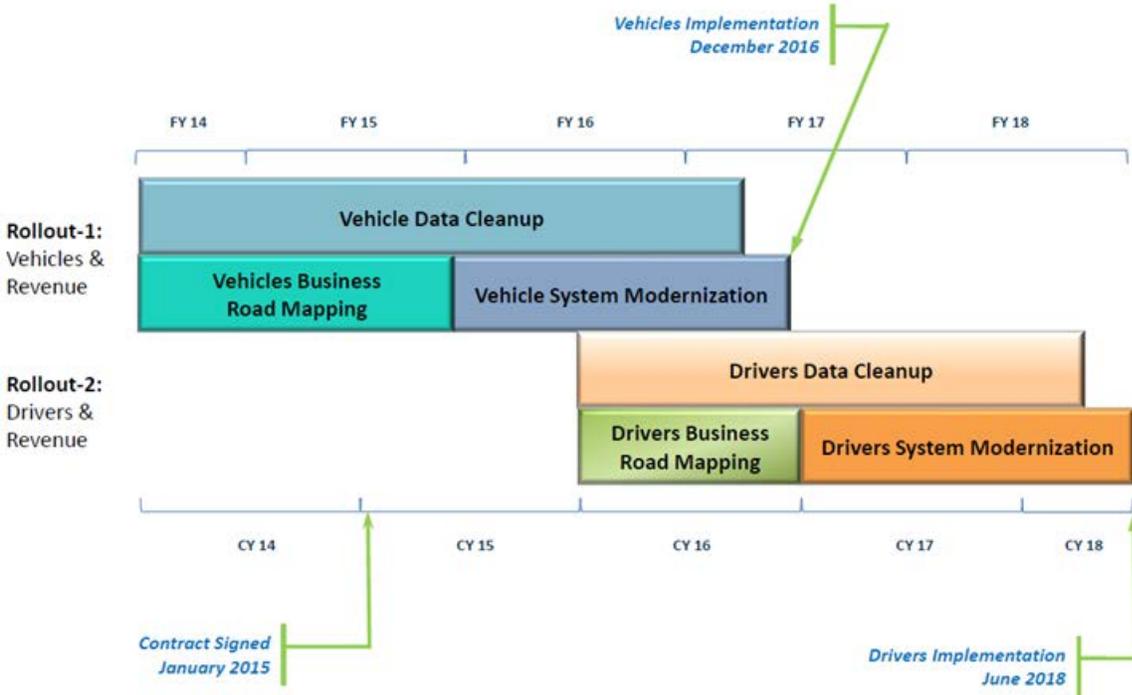
Background

DOL’s core IT systems are significantly outdated, not reliable and in need of modernization. DOL is using funding provided in the 2015-17 biennial transportation budget to implement a commercial off-the-shelf (COTS) software solution for vehicle licensing and revenue management systems. This phase of the project is scheduled for completion in December 2016, about six months ahead of the initial project schedule. Rollout of the driver licensing system and remaining revenue functions are scheduled for completion in June 2018.

In January 2015, DOL contracted with Fast Enterprises, LLC (FAST) for the project. As reflected in the 2015 legislative session decision package, costs associated with the Drivers rollout in FY 2017 were limited to data cleanup and other pre-implementation work. The Drivers project timeline and funding needs during FY 2017 is accelerated to reflect the contracted and schedule.

DOL received a total of approximately \$35.2 million in funding in fiscal years 2013, 2014 and 2015. The accelerated project timeline based on the contract with the vendor is shown below:

BTM Project Timeline



	2011-13	2013-15		2015-17		2017-19		2019-21		
	FY 13	FY 14	FY 15	FY 16	FY17	FY 18	FY 19	FY 20	FY 21	
Item	Project Planning	Project Planning	Project Planning/Vehicles Module Implementation	Vehicles Module Implementation	Vehicles Module Completion/ Drivers Planning and Implementation	Drivers Module Implementation and Completion	Stablization and Maintenance	Maintenance	Maintenance	Total
DP Request	\$ 1,500,000	\$1,000,000	\$ 5,286,000	\$ 10,939,830	\$ 24,951,170	\$ 15,860,666	\$ 11,876,858	\$ 3,749,800	\$ 2,049,000	\$ 77,213,324
Expenditures										
Salary and Benefits	\$ -	\$ 206,260	\$ 1,080,478	\$ 1,657,330	\$ 3,169,828	\$ 3,882,166	\$ 1,941,084	\$ -	\$ -	\$ 11,937,146
Contracts	\$ 1,411,080	\$ 430,298	\$ 3,484,317	\$ 9,147,500	\$ 16,171,500	\$ 11,885,500	\$ 6,245,000	\$ 3,749,800	\$ 2,049,000	\$ 54,573,995
Goods and Services	\$ 13,029	\$ -	\$ 508,300	\$ 93,000	\$ 3,702,842	\$ 93,000	\$ 3,690,774	\$ -	\$ -	\$ 8,100,945
Equipment	\$ -	\$ -	\$ 572,000	\$ 42,000	\$ 1,907,000	\$ -	\$ -	\$ -	\$ -	\$ 2,521,000
Total Expenditure	\$ 1,424,109	\$ 636,558	\$ 5,645,095	\$ 10,939,830	\$ 24,951,170	\$ 15,860,666	\$ 11,876,858	\$ 3,749,800	\$ 2,049,000	\$ 77,133,086
Variance	\$ 75,891	\$ 363,442	\$ (359,095)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 80,238

Note: FY 2017 includes 8.479M for DOL supplemental request for Drivers Module implementation. See expenditure section

Agency subject matter expert:

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Narrative Justification and Impact Statement

Is this decision package essential to implement a strategy identified in the agency's strategic plan? (If so, please describe)

Modernizing the state's vehicle and driver licensing systems supports DOL's strategic plan and mission by providing reliable and flexible information systems.

The BTM project directly supports all five of DOL's goals identified in the agency's Strategic Plan and Fundamentals Map:

1. Improved Public Safety: Enhances the accuracy, reliability and speed of agency data accessed by the Washington State Patrol, local law enforcement, courts and Department of Transportation and Department of Corrections.
2. Efficient, Effective Services: Supports efficient and effective services, which are dependent on the usability, reliability and performance of the supporting information technology infrastructure.
3. A Trusted, Credible Partner: Helps maintain the accuracy, reliability and speed of information provided for public safety, law enforcement and revenue collection functions. Provides improved capability to agency business partners in serving their customers.
4. Engaged Employees: Provides employees with the tools, equipment and information systems required to provide outstanding customer service, support continuous process improvement and measure work output.
5. A Customer Focused Organization: Provides reliable and timely customer service performance metrics, including wait times and customer satisfaction trends.

Performance Measure Detail

Activity: A008 - Drivers

Success of the Business and Technology Modernization project will be determined by tracking compliance with the following performance measures related to successful completion of the Drivers system rollout:

This proposal does not have a direct impact on revenues. The project will improve the speed of implementing revenue-related proposals so that DOL can achieve faster collection of revenues that are the result of legislative changes.

- Reduce annual programmer/analyst hours dedicated to making legislative changes by 50 percent (current average is 12,000 hours; will target a reduction to 6,000, adjusted for number/impact of relevant bills in the respective legislative session).
- The software maintenance contract with the vendor ensures that changes required by federal laws and policies are implemented on, or before, the required activation date.
- Moving data from the current system to the new system is completed on time and within budget.
- The implementation and stabilization of the new system is completed so there is no disruption in day-to-day operations, customer services, or collection of revenues.
- No decrease in system response time.

Reason for change:

The 2015-17 decision package for the Vehicles project was based on project estimates for vendor costs and timelines prior to negotiation of a contract that resulted in an accelerated implementation timeline. The 2016 Supplemental funding request is needed for Drivers project in order for the agency to take full advantage of the accelerated timeline and begin implementation activities in the 2015-17 biennium, six-months ahead of prior plans.

The accelerated schedule allows the entire Vehicles and Drivers projects within the BTM project to finish a year ahead of prior plans—in June 2018 rather than June 2019. Earlier completion of the Vehicles and Drivers system rollouts allow the agency to accomplish the following:

- achieve the benefits of the completed systems sooner, expediting the state's return on investment in these systems;
- reduce risk of dependency on outdated legacy systems with high potential points of failure and that are difficult to change;
- reduce the need for operational "work-arounds" that introduce potential for error or inefficient processes; and
- increase the agency's ability to respond to changing policy and business needs.

Does this decision package provide essential support to one or more of the Governor's priorities as defined in his five goal maps? (If so, please describe)

The BTM project directly supports two of the Governor's priorities:

- *Goal 4: Healthy and Safe Communities*
The Drivers implementation enables DOL to improve our ability to collect and report timely data on traffic-related fatalities as part of the Target Zero effort. The system will provide improved reporting on teen driver education and driver training participation. In addition, more timely access to public safety information for our law enforcement stakeholders. Examples include driver endorsements, citations, and violations. The new enterprise system will improve the security of personal information from unauthorized access and fraud prevention.
- *Goal 5: Effective, Efficient and Accountable Government*
The new system will provide better access to data and increase timely delivery of services to enhance customer confidence.

Impact on clients and services:

Vehicle and driver licensing systems are integral to DOL's ability to provide key services to citizens, agency business partners, and state and federal agencies that rely on data for public safety, licenses, IDs, and revenue for state's transportation system. The funding requested in this decision package enables DOL and business partners to be more responsive to changes in policy and business needs.

Impact on other state programs:

Funding of the accelerated schedule will allow state agencies, county government and business partners to realize the benefits of a new system sooner, including increased and more reliable access to data and reporting.

Relationship to capital budget:

None

Required changes to existing RCW, WAC, contract, or plan:

None

What are the other important connections or impacts related to this proposal?

Alternatives explored by agency:

Since the start of the BTM project, DOL anticipated and documented the need for funding through the 2017-19 biennial budget in order to complete the driver licensing modernization system rollout. The primary alternative would request funding in the 2017-19 biennial budget instead of in the 2016 Supplemental, thus delaying the project implementation schedule and creating a six-month gap between completion of the Vehicles rollout and start of Drivers implementation activities. Impacts of this alternative include:

- This alternative does not leverage the accelerated timeline negotiated in the contract and delays Drivers project completion until December 2018.
- This alternative creates a gap in implementation activities and disrupts the integration of

Vehicles and Drivers system components.

- Vendor availability may be constrained or potentially significantly impacted with additional limitations impacting access to DOL staff and external stakeholders. An extended delay may cause vendor staff to be reallocated to other projects and create a skill and knowledge vacuum that further delays the project. Lack of access to needed vendor resources and DOL technical and subject matter experts is a significant project risk that could result in delays to project schedule and potentially increased project costs.
- Will require vendor to wind project down and re-ramp the project, creating a delay and likely leading to additional costs.
- Delayed rollout of Drivers also delays completion of the system's Revenue management capability.

Budget impacts in future biennia:

This proposal reflects pulling some of the BTM project costs forward into the 2015-17 biennium from the 2017-19 biennium in order to leverage the accelerated timeframe for the Drivers rollout.

Distinction between one-time and ongoing costs:

The one-time and ongoing costs represented in this proposal are consistent with the 2015-17 BTM decision package and there are no new ongoing costs associated with this proposal. However, the timing of these costs have been further refined to reflect the negotiated contract with the solution vendor as follows:

- Some one-time software implementation costs will be incurred earlier in the project than previously planned due to the accelerated project timeframe negotiated with the vendor.
- Ongoing system maintenance costs for the Vehicles rollout will also start in the 2015-107 biennium, earlier than previously planned, to take advantage of the accelerated timeframe. Similarly, maintenance costs for the Drivers rollout will begin in the 2017-19 biennium.

Effects of non-funding:

The project schedule that resulted from the contract negotiations with the vendor completes the Vehicles and Drivers rollouts in two consecutive 18-month implementation timeframes for a total project implementation timeframe of three years, a full year ahead of prior plans. If the BTM Supplemental proposal is not funded, the BTM project will face a six-month gap between the two system rollouts where the Drivers system implementation activities cannot be started due to unmet funding and staffing needs.

Risk

If this supplemental proposal is not approved, DOL's ability to implement the Drivers rollout according to the negotiated contract schedule with the vendor will be placed at significant risk. This risk will be the result of having to put the Drivers implementation work on hold during the last six months of the 2015-17 biennium until funding is secured in the 2017-19 biennial budget. The significant wind-down and subsequent accelerated wind-up of project activity once future funding is secured will have considerable impact on project momentum and increase risk to the overall

project. The logistics of demobilizing and mobilizing the project would also likely lead to additional costs.

Funding this proposal mitigates the following risks:

- Delayed realization of project benefits – the scheduled implementation of the Drivers system rollout in June 2018 positions DOL to be responsive to emerging policy and legislative needs a year sooner than in previous plans. If the rollout of Drivers is delayed the agency's ability to be responsive to emerging needs, legislation and future system improvements will also be delayed.
- Disruption in project delivery, vendor resources, and staff contributions – the potential six-month gap in project implementation activity will cause significant disruption of the project team momentum and potentially put the project at risk of losing ready access to valuable technical and business experts within DOL as well as expert FAST resources. Both organizations will be challenged to ensure key expert resources continue to be available to the project over this six-month period. Many of these resources will have skills and expertise not easily replaced. Ensuring continuity of project business and technical expertise potentially avoids increased costs due to duplicative training and knowledge transfer and increase human resource management and resulting organizational management activity.
- There are significant cost implications associated with a six-month delay in the Drivers system implementation. Potential uncertainty of project funding and potential impacts to project schedule can have cascading impacts on project scope and budget, which could in turn result in contractual amendments required with the vendor.

Revenue Calculations and Assumptions:

The BTM project will improve the speed of implementing fee and tax proposals so that DOL can achieve faster collection of revenues that are anticipated through legislative action and projected in revenue forecasts. This proposal increases the likelihood of project success.

Expenditure Calculations and Assumptions:

DOL is requesting \$8,479,000 in the FY16 supplemental. The costs reflect the vendor contract and the detailed resource plan. The detailed resource plan for FY 2017 includes costs for business area positions needed for requirements capture and data cleanup; contracted services and software/hardware.

This change results in the following costs moving from the 2017-19 biennium into the 2015-17 biennium:

Contract Services: Initial vendor payment to start the Drivers system implementation at \$3,592,000. Organizational Change Management (OCM) Contract at \$725,000. Travel costs for County Auditor testers at \$607,000. Total for contracts \$4,924,000.

DOL Staffing: \$1,382,000 for staff backfill to permit the addition of six (6) full-time subject matter experts to the project from July 2016 – June 2017, to bring the Drivers implementation to the same level of resourcing as Vehicles was during the 'pre-vendor' preparation period. This

commitment will ensure that DOL takes full advantage of the accelerated 18-month rollout implementation schedule negotiated with vendor.

1. BTM Functional Business Champion. Positions perform Drivers data clean-up, business rules research, analyses, and coordinates Drivers COTS configurations. Fiscal year 2017 salary and benefits for 3.0 FTEs \$305,547.
2. Customer Service 3. Positions are responsible for researching and updating driver data records that are identified as having data issues. Positions are dedicated 100% to the data clean-up effort. Fiscal year 2017 salary and benefits for 2.0 FTE \$113,420.
3. Drivers Module Prep SME. Position assists with data clean-up, business rule documentation and COTS configuration. Fiscal year 2017 salary and benefits for 1.0 FTE \$92,180.

Administrative support (indirect costs) is included at a rate of 12 percent of the direct program costs proposed in this decision package. This 12 percent is split 7 percent for Management and Support Services functions at \$508,000 and 5 percent for Information Services functions at \$363,000. Amounts calculated are reflected as staff hires with salary, benefits, and employee related goods and services costs even though actual staff may not be hired.

Administrative support funding covers agency-wide functions such as vendor payments, contract administration, mail processing, equipment management, help desk support, and technical assistance to DOL employees.

Facilities improvement: Build out office space to accommodate additional staff. The project team will grow from 50 members to 100 during the Driver licensing modernization phase at \$1,323,000.

In order to accommodate BTM facility needs, 54 FTEs from DOL's Prorate and Fuel Tax program, will move out of our Bristol Court leased location into DOL's Black Lake Building 2 location. This moves core DOL staff out of Bristol Court which supports OFM's six year facility plan for DOL. After the project is completed, DOL plans to leave the Bristol Court building.

Presently this is no room in Black Lake Building 2 to accommodate the added staff, therefore, DOL needs to reconfigure the 1st and 2nd floor of Black Lake Building 2. The occupancy of Black Lake Building 2 will increase from its present occupancy of 237 FTEs to 291 FTEs. **The average square foot is reduced from 205 to 166 square foot per-FTE.** To meet the needs of Black Lake Building 2, DOL will use smaller cubicle size of 7'x7' as much as possible. The break out of these cost is listed below:

1. Furniture - \$881,849
2. Installation - \$131,064
3. Data and Power - \$160,087
4. Construction - \$150,000

Office equipment and IT Software and Hardware: Computers and office chairs for additional staff and IT software and hardware at \$584,000.

Agency standard costs which includes expenditures for office supplies, telephone installation and usage, facility and related costs, training and personnel services. These costs are calculated based on actual costs from the previous fiscal year, included on a per-FTE added basis at \$266,000.

<u>Job Classification</u>	<u>Salary</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>15-17 Total</u>	<u>17-19 Total</u>	<u>19-21 Total</u>
BTM Functional Business Champion	81,564		3.00	1.50	2.25	0.00
Customer Service 3	- 45,006		2.00	1.00	1.50	0.00
Drivers Module Prep SME	- 68,120		1.00	0.50	0.75	0.00
Business Process Manager	- 104,404		0.00	0.00	0.75	0.00
IT Specialist 3	- 74,557		0.00	0.00	0.75	0.00
IT Specialist 4	- 82,884		0.00	0.00	2.25	0.00
IT Specialist 5	- 91,506		0.00	0.00	0.75	0.00
IT Specialist 6	- 100,996		0.00	0.00	0.75	0.00
Administrative Assistant 4	- 55,843		0.00	0.00	0.75	0.00
WMs Outreach and Training Coc	- 88,032		0.00	0.00	0.75	0.00
BTM Contract s Manager	- 89,080		0.00	0.00	0.75	0.00
BTM Product Owner for Revenue	- 81,716		0.00	0.00	0.75	0.00
BTM Product Owner for PSD	- 85,908		0.00	0.00	0.75	0.00
Total FTEs			6.00	3.00	13.50	0.00

<u>Object Detail</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>Total</u>
A Salaries and Wages		\$1,057,000	\$1,057,000
B Employee Benefits		\$325,000	\$325,000
C Personal Service Contracts		\$4,317,000	\$4,317,000
E Goods and Services		\$266,000	\$266,000
G Travel		\$607,000	\$607,000
J Capitalized Equipment		<u>\$1,907,000</u>	<u>\$1,907,000</u>
Total		\$8,479,000	\$8,479,000

Expenditure Estimates

		<u>15-17 Total</u>	<u>17-19 Total</u>	<u>19-21 Total</u>
106	Highway Safety Fund	\$8,479,000	\$27,725,000	\$5,798,000
	Expenditure Total	\$8,479,000	\$27,725,000	\$5,798,000
FTEs		3.0	18.0	0.0

Object E Breakdown:	<u>FY 2016</u>	<u>FY 2017</u>	<u>15-17 Total</u>	<u>17-19 Total</u>	<u>19-21 Total</u>
EA Plates & Tabs					
EA Office Supplies		\$4,530	\$4,530	\$20,385	
EN Personnel Services-direct only		\$2,821	\$2,821	\$14,952	
EB Phone/Install/Usage		\$84,500	\$84,500	\$108,000	
EG Staff Training		\$3,192	\$3,192	\$14,364	\$0
ED Facility/Lease Costs		\$35,898	\$35,898	\$161,541	
ER Purchased Services		\$98,246	\$98,246	\$122,248	\$48,004
EZ Other Goods & Svcs		\$34,840	\$34,840	\$118,800	\$0
EL DIS Shared Svcs & HRISD Fee		\$2,088	\$2,088	\$8,352	\$9,396
ER Application Programmers		-	-	<u>\$2,612,500</u>	<u>\$2,818,750</u>
Total Goods & Svcs	\$0	\$266,000	\$266,000	\$3,181,000	\$2,876,000

Expenditures & FTEs by Program	Staffing			Operating Expenditures		
	<u>FY 2016</u>	<u>FY 2017</u>	<u>Average</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>Total</u>
100 - Mgmt & Support Services	0.0	0.0	0.0	\$0	\$508,000	\$508,000
200 - Information Services	0.0	0.0	0.0	\$0	\$363,000	\$363,000
600 - Programs and Services	0.0	6.0	3.0	\$0	\$7,608,000	\$7,608,000
Agency Total	0.0	6.0	3.0	\$0	\$8,479,000	\$8,479,000

Expenditures by Budget

	FTEs			Operating Expenditures		
	<u>15-17</u>	<u>17-19</u>	<u>19-21</u>	<u>15-17</u>	<u>17-19</u>	<u>19-21</u>
<u>Transportation Funds</u>						
Program 10T:	0.0	0.0	0.0			
Highway Safety Fund				\$508,000	\$1,733,000	\$0
Program 20T:	0.0	0.0	0.0			
Highway Safety Fund				\$363,000	\$1,237,000	\$0
Program 60T:	6.0	18.0	0.0			
Highway Safety Fund				\$7,608,000	\$24,755,000	\$5,798,000
	6.0	18.0	0.0	\$8,479,000	\$27,725,000	\$5,798,000

Information Technology Addendum

Recsum Code and Title: PL-N0 Business and Technology Modernization - Drivers
Brief Description: DOL Business and Technology Modernization (BTM) –
2016 Supplemental Funding Submission

If this investment includes the use of servers, do you plan to use the state data center?

Yes No, waiver received No, waiver not received Does not apply

Business Transformation – This set of criteria will be used to assess IT proposals supporting business changes to improve services or access to information for agency customers or citizens.

Business process improvement: Primary goal of the proposal is to transform an agency business process. This criterion will be used to assess the transformative nature of the project. (INTENT: Incent agencies to take transformative projects that may include risk.)

Business process improvement is a secondary goal of the BTM initiative, and similar in nature for both the current Vehicles module implementation and the upcoming Drivers module which is the focus of this supplemental funding request.

The implementation of this new enterprise licensing solution will result in significant business process improvement, both in leveraging best practice licensing and revenue management processing built in to the COTS solution, and in improving WA-specific processes in the course of configuring the system.

Within the Information Services domain, the implementation of enterprise COTS software will be transformative, impacting all aspects of how applications are supported, maintained and enhanced.

Risk mitigation: Primary goal is to mitigate risks associated with transformative initiatives. This criterion will be used to determine if the initiative provides adequate resources to mitigate risks associated with a transformative initiative. Risk planning may include budgeting for independent quality assurance, organizational change management, training, staffing, etc. (INTENT: Drive business value by encouraging risk taking that is well managed.)

The BTM initiative is well structured to mitigate risk. Organizational Change Management is a large component of the BTM approach, leveraging a contract with KB & Associates that is providing 2.5 FTE of OCM consulting to the Vehicles module implementation project. The comprehensive OCM scope covers external and internal system users, the Information Systems group, and the broad stakeholder community. This supplemental request includes funding for carrying the OCM approach into the first phase of the Drivers module implementation.

The project team is a planned mix of Agency and solution vendor (FAST Enterprises) staff working side by side in similar roles, both technical and business oriented. Testing will leverage broad participation across the internal and external system user community, led by an agency/vendor joint test coordination team. Similarly, a large trainer group is planned, comprised of agency and vendor trainers and seeking external stakeholder participation, too. This request includes funding for travel costs to

encourage non-agency system users to participate in system testing and training, to mitigate risks around system acceptance and accuracy.

Other risk mitigation components of the BTM project already in place include the Independent Quality Assurance provided by Case Associates, with weekly interaction between the QA consultant and the project team, and detailed monthly assessments of the project.

Customer-facing value: Add value in short increments. This criterion will be used to determine if the initiative provides “customer-facing value” in small increments quickly to drive agile strategy.

(INTENT: Drive agencies to producing value more quickly and incrementally.)

The BTM initiative is sequenced into releases that deliver distinct business value after implementation of each module. The focus of this supplemental funding request is to support an accelerated release schedule with 18-month release periods, following negotiations with the COTS solution vendor. The first release includes vehicle licensing and associated revenue management functions, to be released December 2016. The second release will add driver licensing and its financial component, in June 2018. A potential third release would address business professional licensing.

The development of the solution is being completed using a highly-iterative approach within the FAST Implementation Methodology, with regular demonstration and review to both the project team and the stakeholder community.

Open data: New datasets exposed. This criterion will be used to assess if the initiative will increase public access to searchable, consumable machine-readable data from agencies.

(INTENT: Drive agencies to make more data available to citizens. We also value making data available internally for better decision making.)

The BTM project will replace dozens of existing disparate systems and databases into a single cohesive integrated solution with a consistent data access architecture. Internal access to data will be simpler and the resulting information more complete than in the past.

The solution supports external portal query capabilities. The agency is investigating this functionality for possible inclusion in the project, starting with key stakeholders such as the Washington State Patrol and the courts to provide more timely access to DOL data.

Transparency/accountability: Project is clear, measurable, and immediate. This criterion will be used to assess if the initiative specifies the following: (1) Are the goals articulated? (2) Are performance outcomes identified, quantified and measurable? (INTENT: Award more points for better project and outcome performance measures.)

Success of the BTM project will be determined by tracking compliance with the following performance measures related to successful completion of the Drivers system rollout:

- Reduce annual programmer/analyst hours dedicated to making Legislative changes by 50 percent (current average is 12,000 hours; will target a reduction to 6,000, adjusted for number/impact of relevant bills in the respective legislative session).
- The software maintenance contract with the vendor ensures that changes required by federal laws and policies are implemented on, or before, the required activation date.
- Moving data from the current system to the new system is completed on time and within budget.
- The implementation and stabilization of the new system is completed so there is no disruption in day-to-day operations, customer services, or collection of revenues.
- No decrease in system response time.

Technology Strategy Alignment – This set of criteria will be used to assess the alignment of the request to the larger technology strategy of the state.

Security: Improve agency security. This criterion will be used to assess the improvements to the overall security posture for an agency. (INTENT: Award additional points to projects where intent is to improve the security across an agency.)

This project involves implementing a COTS solution for vehicle licensing. The selected COTS solution from FAST Enterprises is currently operating securely in several other states in real time, high transaction volume environments. It conforms to NIST SP 800-53, Security Controls for Federal Information Systems and Organizations, including integrity controls governing the security of information exchanged with external parties and strong access logging capabilities. NIST SP 800-53 is generally regarded as the industry benchmark with respect to articulating enterprise system security requirements.

During implementation, the BTM project is reviewing authentication and access for all system user types, including internal agency staff, external field users, authenticated public users (e.g., current users of DOL's License Xpress system) and non-authenticated public users.

Modernization of state government: Cloud first. This criterion will be used to assess if the initiative will result in replacing legacy systems with contemporary solutions that drive our cloud-first strategy. (INTENT: Drive agencies to look more intently at leveraging cloud-based solutions.)

The BTM solution is being implemented locally in the Washington State data center, and represents a significantly newer technology being hosted internally. However, the COTS solution can be hosted in alternate locations and the vendor is now providing hosted solutions, as DOL is implementing with the PRFT system. The BTM approach does not preclude future remote hosting considerations.

Mobility: New mobile services for citizens. This criterion will be used to assess the contribution of the initiative to support mobile government services for citizens and a mobile workforce.

(INTENT: Drive agencies to look for ways to deliver results and services that are accessible to citizens from mobile devices. While we also value mobility for employees, we place greater value on mobility for citizens.)

The BTM solution for both vehicles and drivers will provide for expanded customer self-service capabilities, leveraging the internet for the benefit of all stakeholders. Vehicle and driver licensing is a key online service for DOL, used by a significant number of public customers.

We have specified requirements for a web-enabled solution that will allow employees to work from authorized work locations throughout the state. Vehicle and driver licensing services are provided by internal and external agents in dozens of locations in Washington.

***Interoperability:* Adds value in six months. This criterion will be used to determine if the initiative provides a technology system or software application that distributes, consumes or exchanges data.**

(INTENT: Drive agencies to acquiring and/or developing systems that are interoperable across the state enterprise.)

Interoperability is a core component of the BTM solution as it interfaces with more than 50 internal and external stakeholders, such as Department of Revenue, Secretary of the State, Washington State Patrol, and the American Association of Motor Vehicle Administrators (AAMVA).

The BTM solution supports multiple interface types (file exchange, message based, web services, API), implemented and managed using a single consistent application architecture. Interfaces with nationally-used public and private sector partners and stakeholders, such as AAMVA and VIntelligence, are built in to the COTS solution and supported by the vendor. Other Washington-specific interfaces are being implemented within the interface framework by the vendor and DOL staff.

One example of a significant interoperability improvement that will be addressed in the implementation of the new BTM solution is in DOL's interaction with the Business Licensing System at Department of Revenue. The new systems being implemented in both agencies will permit the use of fully electronic licensing application and automated transmittal of DOL-required information from DOR, and the ability to interface processing workflows between the agencies.

Financial – This set of criteria will be used to assess the initiative’s financial contribution, including the extent the initiative uses other fund sources, reduces cost for the state, or captures new or unrealized revenue.

Captures new or unrealized revenue: This criterion is calculated based on the amount of new or unrealized revenue captured by the end of the 2017-19 biennium as a proportion of total investment. To get the full points in this category, projects must capture at least five times the amount of the investment by the end of the 2017-19 biennium.

The BTM initiative is not predicated on the realization of additional revenue. However, a goal of the project is to accelerate the agency’s ability to implement more rapid revenue capture caused by legislative mandates associated with fee changes. Currently, delays are caused by the complexity of maintenance associated with the present systems. For example, hard-coded programming changes are required to make a change to fee structures, which invariably cause other problems to surface which then require testing and reprogramming.

We expect significant improvement in this area; when the new solution is configured and we can test configuration flexibility for implementing fee changes, we will be able to produce realistic estimates in this regard.

Reduces costs: This criterion is calculated based on the amount of cost reduction by the end of the 2017-19 biennium as a proportion of total investment. To get the full points for this criterion, projects must reduce costs by at least two times the amount of the investment by the end of the 2017-19 biennium.

The BTM initiative will address the dramatically increased costs of maintenance and support for the existing legacy systems, related to outsourcing maintenance, because legacy system maintenance staff are retiring and it is particularly difficult to find replacement staff with requisite skills and experience. Meanwhile, the amount of technological debt inherent to the existing infrastructure and antiquated systems is crushing the department’s ability to keep these systems operational and current. Implementing the new system will avoid a future substantial redevelopment to modernize the existing solutions.

The BTM project will improve the speed of implementing revenue-related proposals so that DOL can achieve faster collection of revenues that are the result of legislative changes.

- Reduce annual programmer/analyst hours dedicated to making Legislative changes by 50 percent (current average is 12,000 hours; will target a reduction to 6,000, adjusted for number/impact of relevant bills in the respective legislative session).

The new system will allow the agency to increase capacity in line with the state’s population growth and associated expansion in transaction volumes. The new system will complement across-the-board changes to business processes that lead to enhanced customer service, to include improved accuracy and timeliness of data shared with other state agencies and the law enforcement community.

Leverages federal/grant funding: This criterion is to calculate the degree in which projects are funded by federal or grant dollars. Projects that are fully funded by federal or grant sources receive full points.

N/A

**240 Department of Licensing
2016 Supplemental**

**CDL Lawful Permanent Residency
PL-N6**

Agency Recommendation Summary Text:

The Department of Licensing (DOL) requests funding to certify and provide 10 percent assignment pay to 120 existing Licensing Service Representatives (LSR), and to hire 1 new LSR to validate proof of lawful permanent residency in response to new federal requirements placed on Commercial Driver Licenses and Commercial Learner Permits. (Highway Safety Fund –State)

Agency Total

Operating Expenditures		<u>FY 2016</u>	<u>FY 2017</u>	<u>Total</u>
106 Highway Safety Fund		\$711,000	\$711,000	\$1,422,000
	Total Cost	\$711,000	\$711,000	\$1,422,000

Revenue Detail

	<u>Fund</u>	<u>Source</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>Total</u>
Total Revenue			\$0	\$0	\$0

Package Description:

DOL requests funding to certify 120 existing Licensing Services Representatives (LSR) and hire 1 new LSR to process Commercial Driver License (CDL) and Commercial Learner Permit (CLP) transactions in all licensing service offices (LSO) statewide.

In September 2015, the Department of Licensing (DOL) began implementing federal rules that require:

- Applicants to provide proof of legal presence for CDL and CLP transactions.
- Require DOL employees who process these transactions to pass a federal background check, take training, and become certified.
- Require two employees to participate in each transaction. CDL and CLP transactions only required 1 LSR before the federal change.

The Collective Bargaining Agreement requires 10 percent assignment pay for employees (LSRs) who verify proof of legal presence in the United States.

To implement new federal regulations for validating CDL/CLP applications, while also maintaining DOL's performance target of customers experiencing wait times of less than 30 minutes, DOL needs to increase processing capacity at LSOs across the state by certifying eligible DOL staff to process CDL/CLP transactions to spread the increased workload across existing LSOs and increase office availability.

Background

To implement the federal requirement within its existing budget, DOL initially restricted CDL/CLP transactions to 19 LSOs that also issue Enhanced Driver Licenses. Employees in these offices who are certified to issue Enhanced Driver Licenses already have federal background checks and receive 10 percent assignment pay.

To better serve customers and attempt to maintain prior customer service levels, DOL has temporarily funded the pilot expansion of CDL/CLP services by 9 offices for a total of 28 offices through the certification of an additional 41 existing LSRs and hiring new 1 LSR. Initial results are showing continued expansion of offices will continue to improve customer service capacity and satisfaction further.

Agency subject matter expert:

Jean Fetterly, Driver Examining Administrator, (360) 902-3960 Customer Relations Division

Narrative Justification and Impact Statement

Is this decision package essential to implement a strategic initiative or improve strategic outcome measures identified in the agency's [Strategic Plan](#)? (if so, please describe)

DOL Strategic Goal: A Customer Focused Organization

Outcome Measure OM3a: Percent of driver license customers with lobby wait times under 30 minutes.

Results: 96 percent of driver license customers waited less than 30 minutes for service in FY 2015.

With 120 LSRs certified at all LSO locations, the increased workload will be spread out which should allow DOL to maintain near current performance levels.

Performance Measure Detail

Measure #	Measure Title	FY16 estimate	FY17 estimate
A008 1691	Number of CDLs Issued	No Change	No Change

Reason for change:

New federal regulations require 2 staff to process each CDL/CLP transaction. Currently only 28 of DOL's 56 LSOs have staff certified to issue both CDL/CLP and EDL transactions. The increase from 19 to 28 offices offering CDL/CLP services is temporary, and contingent on receiving funding through this package. Limiting LSOs that provide this service creates a burden on all customers going to those locations. Thousands of CDL/CLP customers will be funneled to select locations, resulting in increasing wait times. This would also require some CLP/CLP customers to driver significant distances, more than 200 miles in some instances.

Does this decision package provide essential support to one or more of the Governor's priorities as defined in his five goal maps? (If so, please describe)

Yes, this package supports the Governor's Goal 5 measure 1.3.b to increase timely delivery of state services to customers.

Impact on clients and services:

This request expands CDL/CLP services to all LSOs across the state. Certifying all eligible LSO staff to validate proof of lawful residency provides LSOs capacity to regularly offer CDL/CLP services and minimize increased wait times. This will also increase accessibility to services for customers.

Impact on other state programs:

None.

Relationship to capital budget:

None.

Required changes to existing RCW, WAC, contract, or plan:

None.

What are the other important connections or impacts related to this proposal?

DOL is also submitting two decision packages related to this package:

- Federal Identification Requirements – DOL requests funds to implement agency-request legislation to increase the number of LSRs available to issue Enhanced Driver Licenses and Enhanced Identification Cards and these staff can also serve CDL/CLP licensees. Both packages request assignment pay for 120 existing LSRs who will be certified to validate lawful permanent residency. Overlap of these requests begins in the 2017-19 biennium.
- Non-Domiciled CDL/CLP – Funding the Non-Domiciled package allows DOL to make information technology system changes needed to implement DOL's agency request legislation which will help restore and maintain the level of qualified CDL drivers that were available before new federal regulations went into effect in September 2015. This package has no *funding* overlap with the Federal Identification Requirements package or the CDL Lawful Permanent Residency package.

Alternatives explored by agency:

OPTION 1: Certify and provide 10 percent assignment pay to 120 existing Licensing Service Representatives (LSR), and to hire 1 new LSR to validate proof of lawful permanent residency in response to new federal requirements placed on Commercial Learner Permits and Commercial Driver Licenses.

OPTION 2: Increase available locations by 9 LSOs, certify 41 existing and hire 1 new LSR at the cost of approximately \$600,000. This would bring total capacity that could issue CDL/CLPs to 28 LSOs statewide. This would also bring LSOs within 50 miles for most customers across the state. This option is not preferred because funneling the lengthier CDL/CLP transactions through only 28 offices will increase the wait times for all customers going to those locations to undesirable conditions. Finally, CDL/CLP customers would be turned away from the remaining non-CDL LSOs and delay their access to CDL services.

OPTION 3: Do nothing. Since DOL cannot maintain temporary increase in 9 locations at current funding levels, CDL/CLP service locations will be reduced back to 19 LSO locations. This means only 19 out of 56 LSOs across the state will be available for CDL/CLP services. These locations are already staffed with LSRs who are certified to process CDL/CLP transactions per federal regulations because requirements are very similar to the EDL process, and these locations are already staffed with LSRs who receive 10 percent assignment pay. This option is not preferred because it will cause some customers to drive over 200 miles to the nearest location. This option may cause a financial burden and inconvenience for CDL/CLP customers who drive significant distances just to find out they did not bring all the necessary documents. This would also funnel thousands of CDL/CLP customers to select offices and create increased wait times for all customers there.

Budget impacts in future biennia:

All costs are ongoing.

Effects of non-funding:

DOL will not have funding to sustainably expand LSOs that offer CDLs and CLPs. Instead DOL will restrict CDL/CLP services to 19 LSOs statewide that have capacity to process CDL/CLP transactions.

Effects:

- CDL/CLP services will be limited to 19 LSO locations statewide.
- The federal requirement of 2 certified staff per CDL/CLP transaction will increase transaction time for CDL/CLP customers and wait time for all customers as CDL customers funnel to select locations around the state.
- Some CDL/CLP customers will need to drive in excess of 200 miles to submit applications.
- CDL/CLP customers will be inconveniently turned away from all other LSOs that lack the ability to process those transactions.

Revenue Calculations and Assumptions:

None.

Expenditure Calculations and Assumptions:

This package requests \$1,266,000 for 10 percent assignment pay to 120 current Licensing Services Representatives (LSR) who will become certified to perform CDL applicant screening; \$124,000 for 1 new hire LSR assigned to licensing offices in Union Gap and White Salmon; and \$32,000 for standard agency costs for goods/services and indirect (12%) costs for new staff only.

<u>Job Classification</u>	<u>Salary</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>15-17 Total</u>	<u>17-19 Total</u>	<u>19-21 Total</u>
LSR2	4,276	0.00	0.00	0.00	0.00	0.00
LSR3	4,721	0.00	0.00	0.00	0.00	0.00
LSR4	5,342	0.00	0.00	0.00	0.00	0.00
LSR2 (1 new hire)	42,756	1.00	1.00	1.00	1.00	1.00
Total FTEs		1.00	1.00	1.00	1.00	1.00

<u>LSR Salary & Benefit Calcs</u>		<u>Qty.</u>	<u>Assign Pay 10%</u>	<u>Total Salary</u>	<u>Assign Pay 10%</u>	<u>Total Benefits</u>	<u>Total</u>
FY1	LSR 2	96	4,276	410,496	814	78,144	488,640
FY1	LSR 3	17	4,721	80,257	889	15,113	95,370
FY1	LSR 4	7	5,342	37,394	1,006	7,042	44,436
FY1	LSR 2 (1 new hire)	1	-	47,032	-	19,357	66,389
FY1 Total		121	14,339	575,179	2,709	119,656	694,835
FY2	LSR 2	96	4,276	410,496	814	78,144	488,640
FY2	LSR 3	17	4,721	80,257	889	15,113	95,370
FY2	LSR 4	7	5,342	37,394	1,006	7,042	44,436
FY2	LSR 2 (1 new hire)	1	-	47,032	-	19,357	66,389
FY2 Total		121	14,339	575,179	2,709	119,656	694,835
Grand Total			28,678	1,150,358	5,418	239,312	1,389,670

Note: 1 new hire has 10% assignment pay combined with salary and benefit in total columns.

<u>Object Detail</u>		<u>FY 2016</u>	<u>FY 2017</u>	<u>Total</u>
A	Salaries and Wages	\$575,000	\$575,000	\$1,150,000
B	Employee Benefits	\$120,000	\$120,000	\$240,000
E	Goods and Services	\$16,000	\$16,000	\$32,000
Total		\$711,000	\$711,000	\$1,422,000

**240 Department of Licensing
2016 Supplemental**

**Non-domiciled CDL/CLP
PL-N4**

Agency Recommendation Summary Text:

The Department of Licensing (DOL) requests funding to implement agency request legislation that allows DOL to issue Commercial Driver's Licenses (CDLs) and Commercial Learner's Permits (CLPs) to individuals who are non-permanent residents of the United States, which is allowed by federal regulations. (Highway Safety Account-State)

Agency Total

Fiscal Detail

Operating Expenditures	<u>FY 2016</u>	<u>FY 2017</u>	<u>Total</u>
106 Highway Safety Fund	\$0	\$368,559	\$368,559
Total Cost	\$0	\$368,559	\$368,559

Staffing

	<u>FY 2016</u>	<u>FY 2017</u>	<u>Total</u>
FTEs	0.0	0.0	0.0

Revenue Detail

Fund	Source	<u>FY 2016</u>	<u>FY 2017</u>	<u>Total</u>
106	Highway Safety Fund	\$0	\$12,945	\$12,945
Total Revenue		\$0	\$12,945	\$12,945

Package Description:

This package supports agency request legislation that allows DOL to issue Commercial Driver's Licenses (CDLs) and Commercial Learner's Permits (CLPs) to individuals who are non-permanent legal residents of the United States.

Prior to September 2015, DOL issued Commercial Driver's Licenses (CDLs) and Commercial Learner's Permits (CLPs) to drivers of commercial motor vehicles as an endorsement to their regular Washington State driver's license without verification of lawful presence within the United States. The Federal Motor Carrier Safety Administration (FMCSA) changed federal regulations to require states to verify the lawful presence of all CDL/CLP applicants and holders. DOL implemented these federal changes in September 2015.

Nationally, there is a shortfall of qualified commercial drivers. This request will help restore and maintain the level of qualified CDL drivers that were available before new federal regulations went into effect in September 2015. Federal regulations allow the issuance of CDLs/CLPs to applicants who verify they are legally residing in the United States and fulfill federal testing and training requirements. This request will allow individuals who are non-U.S. citizens in the country with legal status to obtain CDLs/CLPs and avoids potential negative economic consequences caused by increasing commercial driver shortfalls in Washington State.

The requested funding will be used for one-time modifications of DOL’s information technology systems, primarily the Drivers Field System and the Drivers Headquarters System. These changes will capture needed information and ensure that unique documents are produced for non-domiciled applicants.

Background

Issuing non-domiciled CDLs and CLPs will allow individuals who have legal status in the U.S. but are not permanent residents or U.S. citizens to hold commercial driver’s licenses that are valid for the duration of the documentation used to verify proof of legal presence, such as a temporary worker visa.

Expected Outcome

Enactment and funding DOL’s agency request legislation allows person who hold legal non-permanent status the ability to apply for CDLs and CLPs.

Agency subject matter expert:

Josh Johnston, Deputy Assistant Director, (360) 902-4084
Programs and Services Division

Narrative Justification and Impact Statement

Is this decision package essential to implement a strategic initiative or improve strategic outcome measures identified in the agency’s [Strategic Plan](#)? (if so, please describe)

This request enables DOL to conduct regulatory reform through review and revision of statutes, rules and policies to eliminate regulatory barriers to efficient government.

Performance Measure Detail

Activity: Licensing Citizens to Operate Motor Vehicles (A008)

RPM Measure #	Measure Title	FY16 estimate	FY17 estimate
A008 1691	Number of CDLs issued	0 change	105 increase
A001 1719	Amount of revenue collected	0 change	\$12,945 increase

Fiscal year 2017 performance measure estimates are reduced to reflect the assumed implementation date of April 2017. In future years DOL estimates that 500 CDL documents per year will be issued under the provisions of this bill.

Reason for change:

In September 2015, DOL began implementing federal regulations requiring states to verify the lawful presence in the United States of all applicants and holders of CDLs and CLPs. DOL-request legislation passed during the 2013 session, Substitute House Bill 1752, made state law consistent with the new federal regulations. DOL's current agency request legislation addresses a provision of federal regulation that allows individuals with temporary visas to hold a CDL or CLP, which was not included in the original legislation.

Does this decision package provide essential support to one or more of the [Governor's priorities](#) as defined in his five goal maps? (If so, please describe)

This decision package supports the following Results WA areas:

- Prosperous Economy – By maintaining the current number of available qualified commercial drivers, and allowing the qualified CDL pool to adjust along with sector demand.
- Healthy and Safe Communities – By providing a path for legal non-residents to obtain CDL/CLP endorsements so the state has qualified drivers operating cargo trucks.
- Efficient, Effective, and Accountable Government – By making the services accessible.

Impact on clients and services:

Adoption of DOL's agency request legislation allows applicants who are in the country legally, but not permanently to apply for CDLs and CLPs. There are direct and indirect impacts on industries and businesses that use commercial drivers to move products across the state and country.

Impact on other state programs:

None

Relationship to capital budget:

None

Required changes to existing RCW, WAC, contract, or plan:

DOL is introducing legislation in the 2016 Legislative Session that proposes the following policy changes:

- Section 1 amends RCW 46.25.010 to add a definition of "non-domiciled CLP or CDL" to match the federal definition in 49 C.F.R. part 383.5.
- Section 2 amends RCW 46.25.070 to exempt an applicant from another country from the need to provide a Social Security number on the application for a CDL or CLP.
- Section 3 creates a new section in chapter 46.25 RCW to authorize DOL to issue a non-domiciled CLP or CDL to an applicant from a foreign country or another state that meets the requirements of 49 C.F.R. part 383.23(b), when the applicant meets the requirements of 49 C.F.R. part 383.71(f). The document expires no later than the first anniversary of the individual's birthdate that occurs after the expiration of the

individual's authorized stay in the United States, or if there is no expiration date for the authorized stay, one year from the first anniversary of the individual's birthdate that occurs after issuance.

- Section 4 amends the new section in chapter 46.25 RCW created in Section 3 of this bill to authorize DOL to issue a non-domiciled CLP or CDL to an applicant from a foreign country or another state that meets the requirements of 49 C.F.R. part 383.23(b), when the applicant meets the requirements of 49 C.F.R. part 383.71(f). The document expires no later than the expiration of the individual's authorized stay in the United States, or if there is no expiration date for the authorized stay, one year from the date of issuance.
- Section 5 establishes an effective date for sections 1, 2 and 3 of October 1, 2016.
- Section 6 establishes an effective date for section 4 of July 1, 2019.

New rules will be developed by DOL for the administration of non-domiciled CDL and CLPs.

What are the other important connections or impacts related to this proposal?

DOL is also submitting two decision packages that relate to this package:

- CDL Lawful Permanent Residency – DOL requests funds to increase the number of Licensing Service Representatives (LSR) available to validate proof of legal residency for CDL/CLP applicants and these staff can also serve non-domiciled CDL licensees.
- Federal Identification Requirements – DOL requests funds to implement agency-request legislation to increase the number of LSRs available to issue Enhanced Driver Licenses and Enhanced Identification Cards and these staff can also serve non-domiciled CDL licensees.

Alternatives explored by agency:

Do Nothing: Implementing federal regulations that guide the issuance of non-domiciled CDL documents is optional. However, DOL believes that continuing to issue CDL documents to qualified non-domiciled applicants who are lawfully in the United States supports DOL's public safety goal of licensing qualified drivers and avoids potential negative economic impact.

Budget impacts in future biennia:

None

Distinction between one-time and ongoing costs:

Costs for information technology systems modifications are one-time.

Effects of non-funding:

This decision package supports the agency's request legislation. If agency request legislation is not enacted and funded, non-domiciled CDL holders and new applicants who are in the country legally, will not be able to apply for and renew CDL and CLP documents. This request avoids

negative economic consequences caused by increasing commercial driver shortfalls in Washington State.

Revenue Calculations and Assumptions:

Under current law, DOL requires CLP/CDL applicants to provide proof of citizenship or lawful permanent residency. Temporary residents are not eligible for a CLP/CDL. Under the provisions of requested legislation, applicants that are here legally but are not permanent residents may be eligible for a non-domiciled CLP or CDL. These applicants will be required to pay the same amount for commercial knowledge, skill, permit and endorsement fees as under current law, prorated per year of issuance. DOL estimates there will be as many as 500 applicants for a non-domiciled CDL/CPL each fiscal year after full implementation. Cash receipts will be deposited in the Highway Safety Account.

For this analysis:

- All CDLs/CPLs are assumed to be regular endorsements and not a hazardous material license.
- No renewals of the non-domiciled documents are expected.
- Estimates for fiscal year 2017 are 125 additional CLP applicants, with 500 applicants per year in subsequent years. Of the 125 applicants expected in fiscal year 2017, 105 are assumed to receive a CDL by the end of the fiscal year. Applicants that receive a CLP must hold the permit for at least fourteen days before becoming eligible for a CDL.
- Effective July 1, 2016 the relevant fees are: CDL knowledge test \$35, Commercial Learner Permit \$40. For calculation purposes, a CDL endorsement is \$34, assuming an average of two years duration for a non-domiciled document at \$17 per year.
- DOL assumes that CDL skills tests will be conducted by Third Party Testers (TPTs) who will also collect and retain the skills test fee, therefore there is no revenue impact for that component.
- The forecast adopted by the Transportation Revenue Forecast Council assumed a small loss in revenue for the cohort that will no longer be eligible for a CLP/CDL under federal lawful presence rules. The revenue projected for this decision package assumes that this cohort will again be eligible, and that the revenue associated with their licensing process will be restored.

The following table illustrates the expected cash receipts impact:

Cash Receipts Impact	FY 16	FY 17	15-17 Total	17-19 Total	19-21 Total
Volume-CDL Knowledge	-	125	125	1,000	1,000
Volume-CDL Permit	-	125	125	1,000	1,000
Volume-CDL Endorsement	-	105	105	1,000	1,000
Fee-CDL Knowledge		\$35	\$35	\$35	\$35
Fee-CDL Permit		\$40	\$40	\$40	\$40
Fee-CDL Endorsement (assume 2 yrs at \$17/yr)		\$34	\$34	\$34	\$34
Cash Receipts-CDL Knowledge		\$4,375	\$4,375	\$35,000	\$35,000
Cash Receipts-CDL Permit		\$5,000	\$5,000	\$40,000	\$40,000
Cash Receipts -CDL Endorsement		<u>\$3,570</u>	<u>\$3,570</u>	<u>\$34,000</u>	<u>\$34,000</u>
Total Cash Receipts		\$12,945	\$12,945	\$109,000	\$109,000

Expenditure Calculations and Assumptions:

Agency request legislation will require modifications to DOL’s information technology systems, primarily the Drivers Headquarters System. The agency will use appropriated funds to hire contract programmers to accomplish this work or to support current staff implementing this legislation. Appropriated funds may also be used to hire temporary/project staff to support permanent staff

assigned to this legislative effort.					
Cost Category	Description	FY 16 Months	FY 17 Months	Rate	Cost
Developer/Tester	Modify programming and coding to all major systems; test to verify individual components meet requirements; ensure that other business transactions have not been impacted.	-	12.2	\$18,444	\$225,017
Analyst	Determine business requirements; translate requirements into what changes are needed to various systems including account codes, inventory codes, testing considerations, etc.	-	2.4	\$26,448	\$63,475
Project Manager	Manage schedule and contracts	-	1.2	\$27,492	\$32,990
Quality Assurance (QA) Oversight*	Plan and carry out activities to assure project deliverables; e.g. preventative defect activities, align quality measures and business objectives.	-	-	\$31,668	\$0
Architect	Create the conceptual model that defines the structure, behavior and framework of the system including a breakdown of the system into components, the component interactions and interfaces, and the technologies and resources to be used in the design.	-	0.5	\$27,144	\$13,572
Project Contingency	Office of the Chief Information Officer (OCIO) designated rate of 10%			\$33,505	\$33,505
		-	16.3		\$368,559

* DOL includes QA oversight costs estimates for fiscal note evaluations per the requirement of OCIO Policy 132. DOL has requested an exemption to this requirement for legislative requests and will adjust cost estimates as appropriate following a determination from the OCIO. QA oversight is not expected to be a requirement for this project, based on DOL’s risk assessment.

For purposes of this decision package, DOL assumes an implementation date of April 2017, following an effective date of the agency request bill for the sections 1, 2, and 3 of October 1, 2016. The April 2017 implementation target will allow for systems modifications related to implementation of the department’s Central Issuance System (CIS) that are underway at DOL, and that will be required to accommodate the provisions of the bill. The following assumptions were also used to develop cost estimates for information technology modifications:

- (1) For foreign CDL/CLP applicants, DOL staff will manually enter the full work authorization expiration date and then manually compute and enter the non-domiciled CDL/CLP expiration year. The system will create a full expiration date based on the applicant’s birth month and day for that expiration year.
- (2) For applicants domiciled in Commercial Driver’s License Information System (CDLIS) non-certified states or states that do not issue non-domicile CDL/CLP’s, normal CDL/CLP expiration date rules apply.
- (3) The documents created for non-domicile CDLs and CLPs will be the same as current CDLs and CLPs except that the banner of “Non-domicile CDL” or “Non-domicile CLP” will be displayed at the top of the document.
- (4) A social security number (SSN) will not be required for foreign residents that are non-domiciled CDL/CLP applicants if a SSN has not been issued.
- (5) An out-of-state or out-of-country address will be acceptable as residence address if the non-domiciled CDL/CLP is from another US state that has been decertified by CDLIS or is not able to issue non-domiciled licenses or if the applicant is domiciled in a foreign country.
- (6) A document issuance fee will be charged for non-domicile CDL/CLP only customers (no personal driver’s license (PDL) is being issued however a “non-driving” PDL record will be built).
- (7) Revenue systems changes are needed because new transaction types for non-domicile CDLs and CLPs will be used.

<u>Object Detail</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>Total</u>
E Goods and Services		\$368,559	\$368,559
Total		\$368,559	\$368,559

<u>Object E Breakdown:</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>15-17 Total</u>	<u>17-19 Total</u>	<u>19-21 Total</u>
ER Application Programmers		\$368,559	\$368,559		
Total Goods & Svcs	\$0	\$369,000	\$369,000	\$0	\$0

Expenditures by Program	Operating Expenditures		
	<u>FY 2016</u>	<u>FY 2017</u>	<u>Total</u>
100 - Mgmt & Support Services	\$0	\$0	\$0
200 - Information Services	\$0	\$368,559	\$368,559
300 - Customer Relations	\$0	\$0	\$0
600 - Programs and Services	\$0	\$0	\$0
700 - Business & Professions	\$0	\$0	\$0
Agency Total	\$0	\$368,559	\$368,559

Information Technology Addendum

Recsum Code and Title: PL-N4 Non-domiciled CDL/CLP

Brief Description: Provide DOL a solution to issue Non-Domiciled Commercial Driver License (CDL) and Commercial Learners Permit (CLP)

If this investment includes the use of servers, do you plan to use the state data center?

Yes No, waiver received No, waiver not received Does not apply

Business Transformation – This set of criteria will be used to assess IT proposals supporting business changes to improve services or access to information for agency customers or citizens.

Business process improvement: Primary goal of the proposal is to transform an agency business process. This criterion will be used to assess the transformative nature of the project.
(INTENT: Incent agencies to take transformative projects that may include risk.)

The project improves DOL’s business processes by expanding the services available. When complete, DOL will have improved its processes and systems to issue Commercial Driver’s Licenses and Commercial Learner’s permits to individuals who are non-permanent legal residents of the United States.

Risk mitigation: Primary goal is to mitigate risks associated with transformative initiatives. This criterion will be used to determine if the initiative provides adequate resources to mitigate risks associated with a transformative initiative. Risk planning may include budgeting for independent quality assurance, organizational change management, training, staffing, etc.
(INTENT: Drive business value by encouraging risk taking that is well managed.)

The project has anticipated and budgeted for risk management. This project will use DOL’s Internal Quality Assurance Oversight program to help mitigate project risk during the implementation of the expanded services. In addition, resources have been dedicated to train staff on identified business process changes.

Customer-facing value: Add value in short increments. This criterion will be used to determine if the initiative provides “customer-facing value” in small increments quickly to drive agile strategy.
(INTENT: Drive agencies to producing value more quickly and incrementally.)

The team implementing the system changes will run as a scrum team and deliver incremental value every two weeks. This project has one release planned at the end of the 7-month timeline. It isn’t feasible to release any system changes until the full set of requirements are completed.

Open data: New datasets exposed. This criterion will be used to assess if the initiative will increase public access to searchable, consumable machine-readable data from agencies. (INTENT: Drive agencies to make more data available to citizens. We also value making data available internally for better decision making.)

The project doesn't improve transparency of data.

Transparency/accountability: Project is clear, measurable, and immediate. This criterion will be used to assess if the initiative specifies the following: (1) Are the goals articulated? (2) Are performance outcomes identified, quantified and measurable? (INTENT: Award more points for better project and outcome performance measures.)

Upon implementation of the project, DOL will use the below criterion to assess if the project outcomes are delivered:

1. DOL issues Commercial Driver's Licenses and Commercial Learner's Permits on or before April 2017.
2. 100 or more increase in commercial drivers licenses issues in FY17
3. \$12,000 or more increase in revenue collected in FY17.

Technology Strategy Alignment – This set of criteria will be used to assess the alignment of the request to the larger technology strategy of the state.

Security: Improve agency security. This criterion will be used to assess the improvements to the overall security posture for an agency. (INTENT: Award additional points to projects where intent is to improve the security across an agency.)

As DOL will be modifying existing systems to implement these changes, the project will have no impact on the agency's security posture or infrastructure.

Modernization of state government: Cloud first. This criterion will be used to assess if the initiative will result in replacing legacy systems with contemporary solutions that drive our cloud-first strategy. (INTENT: Drive agencies to look more intently at leveraging cloud-based solutions.)

This project does not replace any current systems. It will be an enhanced feature to existing systems.

Mobility: New mobile services for citizens. This criterion will be used to assess the contribution of the initiative to support mobile government services for citizens and a mobile workforce. (INTENT: Drive agencies to look for ways to deliver results and services that are accessible to citizens from mobile devices. While we also value mobility for employees, we place greater value on mobility for citizens.)

The project does not provide any improvement to a mobile experience for external customers. DOL will require customers to visit an office to complete the new type of license issuance this project will enable.

***Interoperability:* Adds value in six months. This criterion will be used to determine if the initiative provides a technology system or software application that distributes, consumes or exchanges data.**

(INTENT: Drive agencies to acquiring and/or developing systems that are interoperable across the state enterprise.)

Interoperability is built into the core system that allows other systems to query an execute task on the system.

Financial – This set of criteria will be used to assess the initiative’s financial contribution, including the extent the initiative uses other fund sources, reduces cost for the state, or captures new or unrealized revenue.

Captures new or unrealized revenue: This criterion is calculated based on the amount of new or unrealized revenue captured by the end of the 2017-19 biennium as a proportion of total investment. To get the full points in this category, projects must capture at least five times the amount of the investment by the end of the 2017-19 biennium.

Projected revenue is \$27,250 for 2015-2017 biennium and \$109,000 for each subsequent biennium; 37% of the investment by the end of 2017-19 biennium.

Reduces costs: This criterion is calculated based on the amount of cost reduction by the end of the 2017-19 biennium as a proportion of total investment. To get the full points for this criterion, projects must reduce costs by at least two times the amount of the investment by the end of the 2017-19 biennium.

This project will not result in cost reductions.

Leverages federal/grant funding: This criterion is to calculate the degree in which projects are funded by federal or grant dollars. Projects that are fully funded by federal or grant sources receive full points.

This project is not anticipated to receive federal funding because it is optional for states to implement not a requirement.