Economic Feasibility Study (EFS) Revenue and Cost Elements

Washington state agencies are required to submit an EFS to obtain approval from the Office of Financial Management prior to the acceptance or disbursement of electronic payments. Refer to Chapter 40 of the State Administrative & Accounting Manual (SAAM) for essential information on preparing an EFS.

An EFS is comprised of two required forms: the Business Case form, and the Cost Benefit Analysis form. If necessary, other supporting documentation may also be included with your EFS forms. An EFS is required for both pilot and long-term projects. If an agency is considering a multi-purpose project that includes an electronic payment feature and the agency can separate the costs and benefits of the payment piece from the entire project, only the payment piece needs to be included in the EFS.

This list of economic feasibility revenue and cost elements is meant to help agencies in preparing the Business Case form and the Cost Benefit Analysis form for an EFS. It is by no means an exhaustive or all inclusive list of all possible revenue or cost items. Instead, it is intended to serve as a starting point for your analysis. Remember to consider and include the costs and benefits to other state agencies and the customer as well.

Items to consider for revenue elements:

- Is this a new revenue source for the agency? If so, project the number of new transactions expected and the average dollar amount per new transaction for each fiscal year of the EFS to determine the corresponding increased revenue amounts. Enter these amounts in the appropriate columns of the Cost Benefit Analysis worksheets.
- Is this an existing agency application with a redirected revenue stream such as a new payment type option? If so, project the number of transactions expected using the new payment type and the average dollar amount per transaction for each fiscal year of the EFS to determine the corresponding increased revenue amounts. Enter these amounts on the appropriate columns of the Cost Benefit Analysis worksheets.
- Will your project result in a decrease in a revenue source for the agency? If so, project the number of lost transactions and the average dollar amount per lost transaction for each fiscal year of the EFS to determine the corresponding decreased revenue amounts. Enter these amounts on the appropriate columns of the Cost Benefit Analysis worksheets.
- Will your project result in an increase or a decrease in revenue to another state agency or your customers? If so, project these amounts and enter them on the corresponding Cost Benefit Analysis worksheets.
- Will your project likely increase compliance with existing laws, thereby increasing revenue?
- Will the amount of time for the state to receive payment be shortened, thereby increasing the time availability of funds?
Items to consider for **new or increased costs:**

**One-time costs**
- Are new hardware or equipment purchases required?
- Are there other infrastructure costs such as local area networks, additional telephone lines, or additional storage facilities?
- Are there consulting fees?
- Are there other development costs such as service contracts to create the payment application?
- Are there software purchases and/or licensing costs?
- Are digital signatures/certificates required?
- Are one-time modifications to an existing system needed?
- Are there one-time costs associated with Internet hosting services?
- Are there one-time costs to set-up an outside data warehousing service associated with Automated Clearing House (ACH) payments?
- Are there costs associated with testing and marketing the new application?
- Are merchant IDs or other account set-up fees required? If so, be sure to work with the Office of State Treasurer (OST) to determine the amount of these fees.
- Are there initial lockbox service set-up fees? If so, contact OST about available contracts.
- Are there initial training costs?
- Are there organizational restructuring costs?
- Are there other one-time costs?

**On-going costs**
- Are there continuing hardware leasing and/or maintenance costs?
- Are there other equipment leasing and/or maintenance costs?
- Are there continuing infrastructure costs?
- Are there continuing consulting fees?
- Are there continuing development costs?
- Are there continuing software maintenance, license renewal and/or update costs?
- Are there additional digital signature/certificate fees?
- Are there on-going Internet hosting service costs?
- Are there other monthly fees from the Department of Enterprise Services or another service provider?
- Are there outside data warehousing costs or additional staff needed to support a database associated with ACH payments?
- Are there transaction fees such as credit card fees? If so, be sure to work with OST to estimate the amount of these costs.
- Are there monthly reporting fees, invoicing fees, or other electronic payment processor costs? Be sure to work with OST to determine these costs.
- Are there monthly lockbox service fees?
- Are there continuing training costs?
- Are there additional help desk and other support costs?
- Are additional staff positions needed to maintain the electronic payment feature?
- Are there any other on-going costs to the agency?
- Are there costs to other state agencies?
- Are there convenience fees to the customer?
- Are there any other costs to the customer?

Items to consider for **decreased costs (cost savings/cost avoidance):**
• Will fewer refunds need to be processed by the agency due to more accurate payment calculations via automated systems?
• Are there additional cost reductions if fewer transactions occur in the field offices?
• Are there reduced infrastructure costs?
• Is there a decrease in check/cash handling costs such as security, transit, storage, and theft or pilferage associated with a decrease in the number of checks/cash processed?
• Are there paper and/or mailroom cost reductions as a result of fewer checks processed?
• Are there decreased banking and/or NSF fees associated with a decrease in the number of checks processed?
• Are there training, maintenance or software cost reductions?
• Is there a decrease in staff costs or the ability to redistribute current staff due to a reduction in the number of checks/cash processed?
• Is there a decrease in help desk support needed due to the decrease in checks/cash processed?
• Is there a decrease in accounts receivable processing costs associated with a decrease in the number of checks/cash processed?
• Are there other cost reductions for the agency?
• Are there any cost savings for other state agencies?
• Is there a cost savings to the customer in decreased penalties from incorrect amounts paid?
• Is there a cost savings to the customer in decreased check writing and mailing costs?
• Is there a cost savings to the customer in decreased wait time at the agency's or subagent's counter, decreased travel time to the agency or subagent, or decreased time spent in filling out forms? In calculating the customer's decreased time costs, the agency can use a standard wage for the customer, times the number of customers, times the amount of time saved per fiscal year.
• Is there a cost savings to the customer in decreased parking fees at the agency or subagent?
• Are there other cost reductions for the customer?

**Items to consider for public benefits:**

• Will there be an improved quality of life for the general public?
• Will there be a reduction in road traffic and highway congestion?
• Will there be an overall increase in customer satisfaction and in the image of the state?
• Will your project result in an overall increase in economic activity for the state?
• Will your project help other agencies or improve inter-agency coordination of services?
• Will your project help improve the public's knowledge of the agency and of its services?
• Will your project increase agency efficiencies and data accuracy?
• Will your project help the agency achieve its strategic plan?
• Are there other public benefits?