

# State Agency Fiscal Analysis

Agency 240 – Department of Licensing

Bill Number: ESHB 1160

Bill Title: Transportation Funding and Appropriations

**Part 1: Estimates**

No Fiscal Impact

**Estimated Cash Receipts:**

Account Name	Account	FY 20	FY 21	19-21 Total	21-23 Total	23-25 Total
<b>Account Totals</b>		-	-	-	-	-

**Estimated Expenditures:**

	FY 20	FY 21	19-21 Total	21-23 Total	23-25 Total
FTE Staff Years	0.3	0.1	0.2	0.1	0.1

Account Name	Account	FY 20	FY 21	19-21 Total	21-23 Total	23-25 Total
Multimodal Transportation Account	218	169,300	15,300	184,600	30,600	30,600
<b>Account Totals</b>		<b>169,300</b>	<b>15,300</b>	<b>184,600</b>	<b>30,600</b>	<b>30,600</b>

*The revenue and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates and alternate ranges (if appropriate), are explained in Part II.*

Check applicable boxes and follow corresponding instructions.

- If the fiscal impact is **less than \$50,000** per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- If fiscal impact is **greater than \$50,000** per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- Capital budget impact, complete Part IV.
- Requires new rule making, complete Part V.

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Request #	1
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## **Part 2 – Explanation**

The 2019-21 Transportation Budget bill includes proviso language that assumes implementation of cost recovery mechanisms for credit card transaction costs. Recovery is assumed for driver and vehicle fee transactions collected by the Department of Licensing (DOL) beginning January 1, 2020.

This analysis examines the expenditure requirements for DOL's successful implementation of credit card fee recovery for driver and vehicle transactions.

### **2.A – Brief Description Of What The Measure Does That Has Fiscal Impact**

Section 103: This section appropriates \$300,000 from the Multimodal Transportation Account for the Office of Financial Management (OFM) to evaluate, coordinate, and assist in efforts by state agencies to develop cost recovery mechanisms for credit card and other financial transaction fees.

Section 208 (14): This subsection requires that the department implements cost recovery mechanisms to recover credit card financial transaction costs, beginning January 1, 2020. At the direction of OFM, the department must develop tracking mechanisms for the amounts recovered. Upon notification by the department, the State Treasurer must deposit amounts collected under this proviso and deposit the revenues in the Agency Financial Transaction Account.

Section 717: This section creates the Agency Financial Transaction Account in the state treasury. The account is subject to appropriation, and can only be used for paying credit card and other financial transaction fees incurred by state agencies.

### **2.B - Cash receipts Impact**

None. Section 208 of the Transportation Budget bill appropriates \$11,903,000 from the Agency Financial Transaction Account to DOL. For purposes of this analysis, DOL assumes that cash receipts will be sufficient to sustain that level of appropriation.

### **2.C – Expenditures**

Implementation of the financial transaction fee recovery proviso will require one-time modifications to DOL's information technology systems, and will require additional support to provide forecasts of the new Agency Financial Transaction Account.

DOL will require 0.1 Tax and Policy Specialist 3 FTE to manage forecasting workflow related to the new fund. This cost will be ongoing.

#### **Information Services:**

The agency will use appropriated funds to hire contract programmers to accomplish this work or to support current staff implementing this legislation within the required timeline. Appropriated funds may also be used to hire agency temporary staff to support permanent staff assigned to this legislative effort.

Any change requires a process to ensure changes are correctly applied to the system. This involves Project Managers that manage the team that completes the update, business analyst that documents

and reviews the system changes, architect services that analyzes how the update could have an effect on other systems or DOL processes, developers who create the change, and testers and quality assurance teams that ensure the update is working correctly.

Cost Category	Description	Rate	2020	2021	2022	2023	2024	2025	Total Cost
TESTER	Test to verify individual components meet requirements; ensure that other business transactions have not been impacted.	\$ 18,444	33,200	-	-	-	-	-	33,200
BUSINESS ANALYST	Determine business requirements; translate requirements into what changes are needed to various systems including account codes, inventory codes, testing considerations, etc.	\$ 26,448	13,200	-	-	-	-	-	13,200
PROJECT MANAGER	Manage schedule and contracts	\$ 27,492	11,000	-	-	-	-	-	11,000
SECURITY AND ARCHITECT SERVICES	Create the conceptual model that defines the structure, behavior and framework of a computerized system including a breakdown of the system into components, the component interactions and interfaces (including with the environment, especially the user), and the technologies and resources to be used in the design.	\$ 27,144	8,100	-	-	-	-	-	8,100
DEVELOPERS	Modify programming and coding to all major systems	\$ 18,444	11,100	-	-	-	-	-	11,100
CONTRACTED FAST DEVELOPER / TESTER	Updates to the DRIVES system will require additional vendor hours outside of the contracted maintenance to make system updates to implement this bill.	\$ 34,800	48,700	-	-	-	-	-	48,700
Project Contingency	Office of the Chief Information Officer designated rate of 10%	\$ -	12,500	-	-	-	-	-	12,500
<b>Totals</b>			<b>137,800</b>	-	-	-	-	-	<b>137,800</b>

**Information technology assumptions:**

- Fee name: Government Service Fee
- Criteria: The 3.0% Credit Card service fee is charged for all e-service (online) activities. The service fee is due for vehicle registrations that are due or become due on or after 1/1/2020 (must be renewing), and for all other e-service activities that occur on calendar date of 1/1/2020 for driver and vehicles. e-Service activities include:
  - Vehicle
    - Renewal (Based on registration expiration)
    - Vehicle Duplicate Tab
    - Report of Sale
  - Driver
    - Hearings
    - Renewal
    - Single ADR
    - Duplicate/Replacement
    - Apply for a restricted license
    - MC Endorsement w/renewal, replacement and duplicate
- Calculation: Fee Specific Formula (Total Due online x 3.0% [three percent])
- Revenue Account Code/Name/Fund Name:
  - RAC: 24K-04-20-000001
  - RAC Name: Government Service Fee
  - Fund: Agency Financial Transaction Account
- Notes:
  - Any customer (private citizen, business or government) who performs an E-Service transaction that pays with a credit card must pay the new Government

service fee. There are no exemptions for customers that have a military exemption or military plate.

- Percentage may change every April or October of each year with a new effective date- if/when the credit card industry increases their fees.

## Reports

- A new report will be created for the Government Service Fee program that includes:
  - Date parameters: Month and User defined date range.
  - Data fields:
    - Activity type
    - Amount fee collected
    - Count of activities
    - Office type (e.g. agent, sub agent, DOL)
    - Source (in person, online, mail-in) Only online transactions will impact report, with assumption it may be added to other activities
  - Security – no special security

## Letters

- Driver Renewal Notice
  - Notices will include text that explains there is a Government Service Fee for online credit card transactions. (60 days prior to release)
- Vehicle Paper Renewal Notice
  - Notices will include text that explains there is a Government Service fee for online credit card transactions.
- Vehicle Electronic Renewal Notice
  - Notices will include text that explains there is a Government Service fee for online credit card transactions.
- Government Service fee will not display on the vehicle/vessel registration
- Government Service Fee will show on the online receipt.

## e-Services

DOL will modify e-Service pages to explain the Government Service fee.

## Support Services:

Administrative support is included at a rate of 12 percent of the direct program costs. This percentage is split 7 percent for Management and Support Services (MSS) and 5 percent for Information Services Division (ISD) functions. DOL uses a Fiscal Technician 2 (MSS) and an IT Specialist 4 (ISD) staffing costs as a proxy to determine FTE and display them under Indirect Staff in table 3.C.

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

Standard FTE goods and services (object E) costs are included on Table 3.B.1. Standard FTE costs do not include objects EM (AG services), ER (contractual services), and EZ (Other goods & Svcs) which are also shown in Table 3.B.1.

### Part 3 – Expenditure Detail

#### 3.A – Operating Budget Expenditures

Account Name	Account	FY 20	FY 21	19-21 Total	21-23 Total	23-25 Total
Multimodal Transportation Account	218	169,300	15,300	184,600	30,600	30,600
<b>Account Totals</b>		<b>169,300</b>	<b>15,300</b>	<b>184,600</b>	<b>30,600</b>	<b>30,600</b>

#### 3.B – Expenditures by Object or Purpose

Object Name	FY 20	FY 21	19-21 Total	21-23 Total	23-25 Total
FTE Staff Years	0.3	0.1	0.2	0.1	0.1
Salaries and Wages	18,800	10,200	29,000	20,400	20,400
Employee Benefits	7,100	3,400	10,500	6,800	6,800
Goods and Services	142,700	1,700	144,400	3,400	3,400
Equipment	700	-	700	-	-
<b>Total By Object Type</b>	<b>169,300</b>	<b>15,300</b>	<b>184,600</b>	<b>30,600</b>	<b>30,600</b>

#### 3.B.1 – Detail of Expenditures by Sub-Object (Goods and Services Only)

Object E - Description	FY 20	FY 21	19-21 Total	21-23 Total	23-25 Total
EB - Phone/Install/Usage	200	100	300	200	200
ED - Facility/Lease Costs	1,200	500	1,700	1,000	1,000
EE - Repairs, Alterations & Maintenance	100	-	100	-	-
EK - Facilities and Services	300	100	400	200	200
EL - Interagency DP Svcs	1,400	600	2,000	1,200	1,200
ER - Contracted Costs	100	-	100	-	-
ER - Application Programmers	137,800	-	137,800	-	-
EY - Software Maintenance	1,600	400	2,000	800	800
<b>Total Goods &amp; Services</b>	<b>142,700</b>	<b>1,700</b>	<b>144,400</b>	<b>3,400</b>	<b>3,400</b>

#### 3.C – FTE Detail

Position	Salary	FY 20	FY 21	19-21 Total	21-23 Total	23-25 Total
Tax Policy Specialist 3	7,535	0.1	0.1	0.1	0.1	0.1
Indirect MSS Fiscal Tech 2	3,249	0.1	0.0	0.1	0.0	0.0
Indirect ISD IT Specialist 4	6,793	0.1	0.0	0.0	0.0	0.0
<b>Total FTE</b>		<b>0.3</b>	<b>0.1</b>	<b>0.2</b>	<b>0.1</b>	<b>0.1</b>

Totals may differ due to rounding.

#### 3.D – Expenditures by Program (Optional)

Program		FY 20	FY 21	19-21 Total	21-23 Total	23-25 Total
100 - Mgmt & Support Services	MSS	23,400	14,200	37,600	28,400	28,400
200 - Information Services	ISD	144,500	500	145,000	1,000	1,000
100 - Central Payment Area	CPA	1,400	600	2,000	1,200	1,200
<b>Totals by Program</b>		<b>169,300</b>	<b>15,300</b>	<b>184,600</b>	<b>30,600</b>	<b>30,600</b>

**Part 4 – Capital Budget Impact**

None.

**Part 5 – New Rule Making Required**

None.