

ABD’s Return on Investment (ROI) Program Funding Application

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Return on Investment (ROI) Program Funding Application

This template was built using the ITD ROI Submission Intranet application.

FINAL AUDIT REQUIRED: The Enterprise Quality Assurance Office of the Information Technology Department is required to perform post implementation outcome audits for all Pooled Technology funded projects and may perform audits on other projects.

This is an IOWAccess Fund Request. Amount of funding requested:

Section I: Proposal

Date: Tuesday, October 31, 2006
Agency Name: Alcoholic Beverage Division - Dept of Commerce
Project Name: Online Licensing & Excise Tax Payment Application
Agency Manager: Ms. Nichole Gehl, Licensing Manager
Agency Manager Phone Number / E-Mail: 515.281.7461/ Gehl@iowaabd.com
Executive Sponsor (Agency Director or Designee): Ms. Nicole Gehl, Operations Manager

A. Project Summary: Describe the nature and use of the proposed project, including what is to be accomplished, how it will be accomplished, and what the costs and benefits will be.

- Department's E-Licensing system been operational since December 15, 2005 and has generated over 3,251 (E) licenses with revenue totaling \$4, 023,450. Additionally, the current system serves 1,053 licensing authorities, 191 separate insurance companies, along with numerous county, state, and federal law enforcement agencies, media, vendors, and public agencies.
- The Proposed project is to (rebuild and) standardize the existing (E-Licensing) database, access methodology, reporting, and online functions and processes. This will allow the agency to reallocate it's the current maintenance effort from 60 hrs per month to new feature and customer reporting functions that have been requested by both licensing authorities and public/community entities.
- After numerous agency reviews and comments from the user community it is the agency's finding that it licensing platform needs to be as robust as possible. Specifically, maintenance changes that are required to the system are taking an inordinately large amount of time. A change that should require only 15 minutes of programming time may take three hours or more. This is due to the fact that the system was developed over a significant period of time and this has resulted in a platform that is unnecessarily complex. Additionally, during the initial development period numerous features were added that were not considered in the initial design or development phase. Many of these features' relevance could only be seen after other base features were in place. These unfortunate, but unavoidable circumstances have lead to a system that will only increase in maintenance costs if allowed to remain in its present state.
- Agency has determined that these additional costs to update the system mandate that the system be re-built and standardized. The system will be re-build utilizing all of the business process knowledge gained during the original development process. This will ensure maximum benefit from funding already invested, while providing superior long term value. Although the savings analyzed to reach the decision to rebuild the system

were limited to just maintenance hours other savings will be realized. These savings include significantly lower testing and bug reporting time for ABD staff and improved customer reporting and processing capabilities.

- Lastly, ABD has an aggressive plan to introduce new cost saving (customer centric) features that cannot be met with the existing system. The current development and maintenance allocations are unable to meet ABD's new functional requirements within the maintenance ceiling.

B. Strategic Plan: How does the proposed project fit into the strategic plan of the requesting agency?

- Selected as a Charter Agency by Governor Vilsack, the Iowa ABD has increased its revenue and savings by \$1.25 million in fiscal year 2004 and by a total of \$5 million through fiscal year 2005. The agency achieved the goal in part through the use of technology to reduce its operating costs. The proposed project will improve licensing services and functions to citizens and businesses by decreasing the amount of effort used to transact business with customers. It will also enhance the ability of customers to access the services of agency and improves its customer service.

C. Current Technology: Provide a summary of the technology used by the current system. How does the proposed project impact the agency's technological direction?

- Current E-Licensing system been developed and maintained in C#, Microsoft SQL Server; and supports all licensing activities and functions.

D. Statutory or Other Requirements

Is this project or expenditure necessary for compliance with a Federal law, rule, or order? **No**

YES (If "Yes", cite the specific Federal law, rule or order, with a short explanation of how this project is impacted by it.)

Explanation:

Is this project or expenditure required by state law, rule or order? **No**

YES (If "YES", cite the specific state law, rule or order, with a short explanation of how this project is impacted by it.)

Explanation:

Does this project or expenditure meet a health, safety or security requirement? **No**

YES (If "YES", explain.)

Explanation:

Is this project or expenditure necessary for compliance with an enterprise technology standard? **No**

YES (If "YES", cite the specific standard.)

Explanation:

[This section to be scored by application evaluator.]

Evaluation (15 Points Maximum)

If the answer to these criteria is "no," the point value is zero (0). Depending upon how directly a qualifying project or expenditure may relate to a particular requirement (federal mandate, state mandate, health-safety-security issue, or compliance with an enterprise technology standard), or satisfies more than one requirement (e.g. it is mandated by state and federal law and fulfills a health and safety mandate), 1-15 points awarded.

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E. Impact on Iowa's Citizens

a. Project Participants - List the project participants (i.e. single agency, multiple agencies, State government enterprise, citizens, associations, or businesses, other levels of government, etc.) and provide commentary concerning the nature of participant involvement. Be sure to specify who and how many **direct** users the system will impact. Also specify whether the system will be of use to other interested parties: who they may be, how many people are estimated, and how they will use the system.

- The primary participant in this project will be ABD, who is the business owner. The direct users include more than 10,000 licensees applying for or renewing licenses annually. In addition, close to 1,000 local authorities (county auditors & municipal clerks) will be directly impacted by the implementation of the system.
- The general public, the media and law enforcement will use the system to search and display license information and status.

b. Service Improvements - Summarize the extent to which the project or expenditure improves service to Iowa citizens or within State government. Included would be such items as improving the quality of life, reducing the government hassle factor, providing enhanced services, improving work processes, etc.

- Licensees, license applicants and wholesalers will have an easier, more efficient way of providing license, sales, tax information, and reporting. The General Public will have easy access and reporting capabilities to public license data, as well as being able to search license information with greater efficiency. Law enforcement will have the ability to quickly and easily determine an establishment's license status, even while at the scene.
- As ABD gains increased efficiency in its operations, the ability to provide better and more effective reporting capabilities to its customers, becomes able to process license applications more quickly, able to devote additional staff time to research applicant qualifications, and gains the ability to reconcile excise tax payments against reported shipments.

c. Citizen Impact – Summarize how the project leads to a more informed citizenry, facilitates accountability, and encourages participatory democracy. If this is an extension of another project, what has been the adoption rate of Iowa's citizens or government employees with the preceding project?

- Licensees, wholesalers and distributors are able to more easily and accurately file license information, tax information. Portions of the license information would now be readily available to law enforcement, the media and the general public regardless of office hours. Sales figures, shipping data and excise tax payment filings would allow the State to cross-check those figures, ensuring that the full and proper amount of taxes are being paid.

d. Public Health and/or Safety – Explain requirements or impact on the health and safety of the public.

- The implementation of the new standards and system functions will eliminate increasing maintenance costs, and allow the agency to allocate time and funding resources to new enhancements and reporting functions.

[This section to be scored by application evaluator.]

Evaluation (15 Points Maximum)

- Minimally directly impacts Iowa citizens (0-5 points).
- Moderately directly impacts Iowa citizens (6-10 points).
- Significantly directly impacts Iowa citizens (11-15 points).

[This section to be scored by application evaluator.]

Evaluation (10 Points Maximum)

- Minimally improves customer service (0-3 points).
- Moderately improves customer service (4-6 points).
- Significantly improves customer service (7-10 points).

F. Process Reengineering

Provide a pre-project or pre-expenditure (before implementation) description of the impacted system or process. Be sure to include the procedures used to administer the impacted system or process and how citizens interact with the current system.

Response:

- All current functions and features of the licensing application are impacted by the proposed rebuild. The objective is to standardize all access and online functions of the system in order to improve performance and to reduce maintenance costs that are increasing as new users are being added.

Provide a post-project or post-expenditure (after implementation) description of the impacted system or process. Be sure to include the procedures used to administer the impacted system or process and how citizens will interact with the proposed system. In particular, note if the project or expenditure makes use of information technology in reengineering traditional government processes.

Response:

- Increased reporting capabilities, and decreasing online processing time for business users.

[This section to be scored by application evaluator.]

Evaluation (10 Points Maximum)

- Minimal use of information technology to reengineer government processes (0-3 points).
- Moderate use of information technology to reengineer government processes (4-6 points).
- Significant use of information technology to reengineer government processes (7-10).

G. Timeline

Provide a projected timeline for this project. Include such items as planning, database design, coding, implementation, testing, conversion, parallel installation, and date of final release. Also include the parties responsible for each item.

- System will be fully developed and operational within 6-8 weeks.

[This section to be scored by application evaluator.]

Evaluation (10 Points Maximum)

- The timeline contains several problem areas (0-3 points).
- The timeline seems reasonable with few problem areas (4-6 points).
- The timeline seems reasonable with no problem areas (7-10).

H. Funding Requirements

On a fiscal year basis, enter the estimated cost by funding source: Be sure to include developmental costs and ongoing costs, such as those for hosting the site, maintenance, upgrades,

	FY06		FY07		FY08	
	Cost(\$)	% Total Cost	Cost(\$)	% Total Cost	Cost(\$)	% Total Cost
State General Fund	\$0	0%	\$0	0%	\$0	0%
Pooled Tech. Fund /lowAccess Fund	\$49,999	100%	\$0	0%	\$0	0%
Federal Funds	\$0	0%	\$0	0%	\$0	0%
Local Gov. Funds	\$0	0%	\$0	0%	\$0	0%
Grant or Private Funds	\$0	0%	\$0	0%	\$0	0%
Other Funds (Specify) Agency funds	\$0	0%	\$0	0%	\$0	0%
Total Project Cost	\$49,999	100%	\$0	0%	\$0	0%

[This section to be scored by application evaluator.]

Evaluation (10 Points Maximum)

- The funding request contains questionable items (0-3 points).
- The funding request seems reasonable with few questionable items (4-6 points).
- The funding request seems reasonable with no problem areas (7-10).

I. Scope

Is this project the first part of a future, larger project?

- YES (If "YES", explain.) NO, it is a stand-alone project.

Explanation:

Is this project a continuation of a previously begun project?

- YES (If "YES", explain.)

Explanation:

- Current system has been operational since December 15, 2005.

[This section to be scored by application evaluator.]

Evaluation (10 Points Maximum)

- This is the first year of a multi-year project / expenditure or project / expenditure duration is one year (0-5 points)
- The project / expenditure are of a multi-year nature and each annual component produces a definable and stand-alone outcome, result or product (2-8 points).
- This is beyond the first year of a multi-year project / expenditure (6-10 points)

The last part of this criteria involves rating the extent to which a project or expenditure is at an advanced stage of implementation and termination of the project / expenditure would waste previously invested

J. Source of Funds

On a fiscal year basis, how much of the total project cost (\$ amount and %) would be absorbed by your agency from non-Pooled Technology and/or IOWAccess funds? If desired, provide additional comment / response below.

Response:

- All costs after development effort will be absorbed by ABD.

[This section to be scored by application evaluator.]

Evaluation (5 Points Maximum)

- 0% (0 points)
- 1%-12% (1 point)
- 13%-25% (2 points)
- 25%-38% (3 points)
- 39%-50% (4 points)
- Over 50% (5 points)



Section II: Financial Analysis

A. Project Budget Table

It is necessary to estimate and assign a useful life figure to each cost identified in the project budget. Useful life is the amount of time that project related equipment, products, or services are utilized before they are updated or replaced. In general, the useful life of hardware is three (3) years and the useful life of software is four (4) years. Depending upon the nature of the expense, the useful life for other project costs will vary between one (1) and four (4) years. On an exception basis, the useful life of individual project elements or the project as a whole may exceed four (4) years. Additionally, the ROI calculation must include all new annual ongoing costs that are project related.

The Total Annual Prorated Cost (State Share) will be calculated based on the following equation:

$$\left[\left(\frac{\text{Budget Amount}}{\text{Useful Life}} \right) \times \% \text{ State Share} \right] + (\text{Annual Ongoing Cost} \times \% \text{ State Share}) = \text{Annual Prorated Cost}$$

Budget Line Items	Budget Amount (1st Year Cost)	Useful Life (Years)	% State Share	Annual Ongoing Cost (After 1st Year)	% State Share	Annual Prorated Cost
Agency Staff						
Software						
Hardware						
Training						
Facilities						
Professional Services	\$49,999	3 yrs	100%	\$0	\$0	\$16,666.33
ITE Services						
Supplies, Maint, etc.				0		
Other						
Totals	\$49,999	3 yrs	100%	\$0	\$0	\$16,666.33

B. Spending plan

Explain how the funds will be allocated.

- Professional development services

C. Tangible and/or Intangible Benefits

Respond to the following and transfer data to the ROI Financial Worksheet as necessary:

1. **Annual Pre-Project Cost** - This section should be completed only if state government operations costs are expected to be reduced as a result of project implementation. **Quantify actual state government direct and indirect costs** (personnel, support, equipment, etc.) associated with the activity, system or process prior to project implementation.

Describe Annual Post-Project Cost: Maintenance costs reduction: \$0

Quantify Annual Post-Project Cost:

	State Total
FTE Cost(salary plus benefits):	\$0.00
Support Cost (i.e. office supplies, telephone, pagers, travel, etc.):	\$0.00
Other Cost (expense items other than FTEs & support costs, i.e. indirect costs if applicable, etc.):	\$61,200.0
Total Annual Pre-Project Cost:	\$61,200.0

2. **Annual Post-Project Cost** - This section should be completed only if state government operations costs are expected to be reduced as a result of project implementation. **Quantify actual state government direct and indirect costs** (personnel, support, equipment, etc.) associated with the activity, system or process after project implementation.

Describe Annual Post-Project Cost: Maintenance costs reduction: \$0

Quantify Annual Post-Project Cost:

	State Total
FTE Cost(salary plus benefits):	\$0.00
Support Cost (i.e. office supplies, telephone, pagers, travel, etc.):	\$0.00
Other Cost (expense items other than FTEs & support costs, i.e. indirect costs if applicable, etc.):	\$0.00
Total Annual Post-Project Cost:	\$0.00

3. Citizen Benefit - Quantify the estimated annual value of the project to Iowa citizens. This includes the "hard cost" value of avoiding expenses ("hidden taxes") related to conducting business with State government. These expenses may be of a personal or business nature. They could be related to transportation, the time expended on the manual processing of governmental paperwork such as licenses or applications, taking time off work, mailing, or other similar expenses. As a "rule of thumb," use a value of \$10 per hour for citizen time.

Describe savings justification:

Transaction Savings

Number of annual online transactions:	20,000
Hours saved/transaction:	3
Number of Citizens affected:	20,000
Value of Citizen Hour	\$10
Total Transaction Savings:	\$600,000
Other Savings (Describe)	
Total Savings:	\$600,000

Cost/Benefit Financial Worksheet

A. Total Annual Pre-Project cost (State Share from Section II C1):	\$61,200.0
B. Total Annual Post-Project cost (State Share from Section II C2):	\$0.00
State Government Benefit (= A-B):	\$61,200.0
Annual Benefit Summary:	
▪ State Government Benefit:	\$61,200.0
▪ Citizen Benefit:	\$600,000.0
▪ Opportunity Value or Risk/Loss Avoidance Benefit:	
C. Total Annual Project Benefit:	\$661,200.0
D. Annual Prorated Cost (From Budget Table):	\$16,666.33
Benefit / Cost Ratio: (C/D) =	39.67

Opportunity Value/Risk or Loss Avoidance - Quantify the estimated annual non-operations benefit to State government. This could include such items as qualifying for additional matching funds, avoiding the loss of matching funds, avoiding program penalties/sanctions or interest charges, avoiding risks to health/security/safety, avoiding the consequences of not complying with State or Federal laws, providing enhanced services, avoiding the consequences of not complying with enterprise technology standards, etc.

Response:

- Increased potential for revenue due to reconciling shipments with wholesale sales in order to prevent underpayment of taxes.

5. Benefits Not Readily Quantifiable - List and summarize the overall non-quantifiable benefits (i.e., IT innovation, unique system application, utilization of new technology, hidden taxes, improving the quality of life, reducing the government hassle factor, meeting a strategic goal, etc.).

Response:

- Reducing the difficulty of providing license and transaction information will encourage compliance and reduce the business' cost of such.
- The implementation of the new standardized system and the resulting elimination of reporting errors will enable staff to spend additional time researching applicant background and qualifications to sell and dispense alcohol thus increasing the likelihood that only qualified persons are issued alcohol licenses to the benefit of public safety.

[This section to be scored by application evaluator.]

Evaluation (15 Points Maximum)

- The financial analysis contains several questionable entries and provides minimal financial benefit to citizens (0-5 points).
- The financial analysis seems reasonable with few questionable entries and provides a moderate financial benefit to citizens (6-10 points).
- The financial analysis seems reasonable with no problem areas and provides maximum financial benefit to citizens (11-15).



Appendix A. Auditable Outcome Measures

For each of the following categories, list the auditable metrics for success after implementation and identify how they will be measured.

1. Improved customer service

- Processing time for license by category
- Number of public reports generated
- Processing time for reports
- Performance TPT by platform's function
- Maintenance costs vs. new feature development costs

APPENDIX B: Financial ROI: ABD's E-Licensing Standardization project

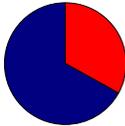
AREA/CATEGORY		Year 1	Year 2	Year 3	Year 4	Year 5
DISCOUNT RATE						
A	Discount rate (prime rate)	8%				
B	Discount factor	1.000	1.000	1.000	1.000	1.000
		(thousands)	(thousands)	(thousands)	(thousands)	(thousands)
BENEFITS						
C	Increased revenue (N/A)					
D	Avoided costs					
	Monthly (estimated) maintenance ¹	\$61,200.0	\$61,200.0	\$61,200.0	\$61,200.0	\$61,200.0
	Annual benefits = (C+D+E)	\$61,200.0	\$61,200.0	\$61,200.0	\$61,200.0	\$61,200.0
E	Cumulative value	\$61,200.0	\$122,400.0	\$183,600.0	\$244,800.0	\$306,000.0
F	Discounted annual value = PV(F)	\$61,200.0	\$61,200.0	\$61,200.0	\$61,200.0	\$61,200.0
COSTS						
G	One time costs	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
	Professional Development	\$49,999.0	\$0.0	\$0.0	\$0.0	\$0.0
H	Recurring costs	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
K	Annual costs	\$49,999.0	\$0.0	\$0.0	\$0.0	\$0.0
L	Cumulative costs	\$49,999.0	\$0.0	\$0.0	\$0.0	\$0.0
M	Discounted annual costs = PV(K)	\$49,999.0	\$0.0	\$0.0	\$0.0	\$0.0
NET VALUE						
N	Annual net value	\$11,201.0	\$61,200.0	\$61,200.0	\$61,200.0	\$61,200.0
O	Cumulative total	\$11,201.0	\$72,401.0	\$133,601.0	\$194,801.0	\$256,001.0
P	Discounted annual value = PV(Q)	\$11,201.0	\$61,200.0	\$61,200.0	\$61,200.0	\$61,200.0
	ROI per Year = Annual net value/annual costs	22.4%	-	-	-	-
	ROI Average = Average Net Value/Average annual costs	5.12				
	ROI Cumulative = (total)	5.12				
	ROI Present Value = SUM(P)/SUM(M)	5.12				

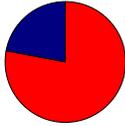
IOWA ALCOHOLIC BEVERAGES DIVISION

Updated 10.31.06

*E-Licensing Implementation Status
 (Since 12.20.05)*

E-LICENSING USERS ENABLED		
USER GROUPS	NO.	PCT.
Cities as Local Authorities	954	100%
Counties as Local Authorities	99	100%
Dram Shop Insurance Companies	191	100%
Additional User Groups Viewing Online Public Records: Law Enforcement, Public, Media & Vendors		

ALCOHOLIC BEVERAGE LICENSES ISSUED			
	NO.	PCT.	
Total Licenses Issued	9,823	-	
■ Total Licenses Issued By E-Licensing*	3,251	33%	
■ Total Licenses Issued By Paper Application	6,572	67%	

E-LICENSING INVESTMENT			
	AMT.	PCT.	
■ Iowa Alcoholic Beverages Division	\$350,502	78%	
■ Iowa Access Advisory Council	\$97,837	22%	

REVENUE COLLECTED FROM LICENSES ISSUED BY E-LICENSING	
Total Licenses Issued by E-Licensing	3,251
Revenue Collected from Licenses Issued by E-Licensing	\$4,023,450.63

E-LICENSING SURVEY RESULTS	
QUESTION	PCT.
Respondents Rating “Overall Application Process” as “Good” or “Excellent”	85%
Respondents Rating “Timeliness of Application Process” as “Good” or “Excellent”	86%

SURVEY COMMENTS
<ul style="list-style-type: none"> • “E-Licensing is the way to go! Karen Freund and her staff did a great job helping with the online process. It was quick, easy, and efficient.” • “I think the E-Licensing is a great addition.” • “It was a wonderful experience...My application only took one week! Thank you - Leann Berte” • “Love the new online process!!!” • “Your agency should share your ‘e’ success with all other 49 states. Thank you!”

* Local authorities were trained and enabled incrementally. Due to this schedule, not all licensees could use E-Licensing.