

Individual State Agency Fiscal Note

Bill Number: 5428 E S SB	Title: Driver's license renewal	Agency: 240-Department of Licensing
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Part I: Estimates

☐ No Fiscal Impact

Estimated Cash Receipts to:

FUND					
Total \$					

Estimated Expenditures from:

	FY 2004	FY 2005	2003-05	2005-07	2007-09
FTE Staff Years	0.3	2.0	1.2	(3.8)	(6.5)
Fund					
Highway Safety Account-State 106-1	103,000	392,000	495,000	205,000	(6,000)
Total \$	103,000	392,000	495,000	205,000	(6,000)

The cash receipts 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 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.
- ☐ If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- ☐ Capital budget impact, complete Part IV.
- ☐ Requires new rule making, complete Part V.

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Agency Preparation: Erik Hansen	Phone: 360-902-0120	Date: 02/19/2004
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Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe, by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

see attachment

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

see attachment

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2004	FY 2005	2003-05	2005-07	2007-09
FTE Staff Years	0.3	2.00	1.2	(3.8)	(6.5)
A-Salaries & Wages	15,000	94,000	109,000	(303,000)	(493,000)
B-Employee Benefits	3,000	19,000	22,000	(72,000)	(119,000)
C-Personal Serv Contr					
E-Goods and Services	76,000	271,000	347,000	555,000	612,000
G-Travel		(1,000)	(1,000)	(8,000)	(12,000)
J-Capital Outlays	9,000	9,000	18,000	33,000	6,000
M-Inter Agency Fund Transfers					
N-Grants, Benefits Services					
P-Debt Service					
S-Interagency Reimbursement					
T-Intra-Agency Reimbursement					
Total:	\$103,000	\$392,000	\$495,000	\$205,000	\$(6,000)

III. B - Detail: List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA

Job Classification	Salary	FY 2004	FY 2005	2003-05	2005-07	2007-09
Customer Service Specialist 2	32,544		1.2	0.6	2.5	3.2
Financial Analyst 1	36,708		0.1	0.1	0.3	0.3
Financial Analyst 2	40,512		0.5	0.3	0.3	
IT System Specialist 4	57,252	0.1	0.1	0.1		
Licensing Service Rep 2	36,708		(0.6)	(0.3)	(6.8)	(9.9)
Project Manager	67,728	0.2	0.7	0.5		
Total FTE's		0.3	2.0	1.2	(3.8)	(6.5)

III. C - Expenditures By Program (optional)

Program	FY 2004	FY 2005	2003-05	2005-07	2007-09
Mgmt & Support Services (100)		71,000	71,000	124,000	105,000
Information Services (200)	5,000	50,000	55,000	60,000	58,000
Vehicle Services (300)					
Driver Services (600)	98,000	271,000	369,000	21,000	(169,000)
Business and Professions (700)					
Total \$	103,000	392,000	495,000	205,000	(6,000)

Part IV: Capital Budget Impact

Part V: New Rule Making Required

Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.

Part II: Explanation

DOL is authorized to offer the renewal of driver licenses or identification cards using the Internet or by mail.

II. A – Brief Description of What the Measure Does that Has Fiscal Impact

To implement this legislation DOL will need to complete computer system changes, cover credit card charges and hire additional FTEs.

The following assumptions were used to calculate the cost estimates.

1. DOL will implement alternative methods of renewing driver licenses and identification cards in two phases. Renewal by Internet will be implemented in December 2004 followed by renewal by mail a year later.
2. Customers will be permitted to renew by Internet or by mail following each in-person original or in-person renewal issuance.
3. Payment methods for renewals by Internet will include credit cards, and for mail will include cashier's checks, money orders, and personal checks.
4. Additional FTEs are needed in the Olympia headquarters office to process the requests and reconcile the revenue collections. However, FTE reductions will be possible starting in Fiscal Year 2006 because the number of persons visiting the driver license offices will decrease as the number of Internet and mail-in users increase.
5. Internet or mail renewal will be available to any customer age 65 or younger that already has a digitized driver license document, and does not have a commercial driver license (CDL) endorsement, medical/visual reporting requirement, or a pending suspension. The process will always require an in-person visit to a licensing service office to apply for the initial driver license or identification card. Qualified renewal customers have an option to renew their license over the internet or by mail once after each in-person renewal. The next renewal will again require a visit to a licensing service office.
6. It is estimated that 60 percent of customers due for a license renewal will be eligible to use an alternate renewal service. Utilization information obtained from other jurisdictions that provide alternative renewal opportunities indicate that of eligible customers, 50 percent will choose an alternative method, and that of those, 45 percent will renew over the Internet and 55 percent by mail.
7. Customer eligibility for renewal is confirmed before sending the customer the Internet or mail renewal application and then again at the time their payment is received. Depending on work with stakeholders to frame the process, the driver will either be required to self-certify his or her fitness to drive (no vision or health impairment, loss of consciousness or control, etc.) or be allowed to renew without certification (waiver of criteria) at the time of application.
8. Internet applications for alternate renewal will incorporate system security that requires customers to enter an authorization number (assigned by DOL), their ZIP code, and a portion of the social security number. These criteria provide an added level of security in identifying the customer at the time of application.

<u>Workload Indicator</u>	<u>FY 04</u>	<u>FY 05</u>	<u>03-05 Total</u>	<u>05-07 Total</u>	<u>07-09 Total</u>
Driver License Renewals		662,666	662,666	1,478,777	1,445,946
Driver License Renewals-Less 40% ineligible		563,266	563,266	796,189	867,568
ID Card Renewals - Less 5% Ineligible		55,642	55,642	134,551	143,733
Internet renewal applications		56,155	56,155	220,059	227,543
Mail renewal applications		-	-	165,493	278,108
Payment reconciliations		56,155	56,155	385,552	505,650
exception processing		2,808	2,808	19,278	25,283

II. B – Cash Receipt Impact

There will be no new revenue collected by DOL as a result of this legislation.

II. C – Expenditures

To implement the alternate renewal options, additional Customer Service Specialist 2 FTEs will be required in the Driver Responsibility Unit. These positions will handle exception applications such as when the person is no longer eligible for a license, has renewed by both an alternate method and in-person, or has requested a renewal in-person before the application was delivered to them. They also handle refunds, phone calls, e-mail and failed document delivery. As volumes grow in the next two biennia the number of Responsibility Unit FTEs will need to be increased.

It is estimated that by Fiscal Year 2009, Licensing Service Representative FTEs in the field driver license offices can be reduced by approximately ten FTEs. However, it is important to note that the FTE savings are an estimate and depend on actual customer utilization.

A partial FTE is also added to the agency's Revenue Accounting section to reconcile credit card transaction reports.

Implementation of this legislation will require modification of existing programs and the creation of new programming that will generate, receive, manage and transmit data between various databases and processing applications. The Revenue Processing System and the digitized license image and issuance applications will also require programming changes. Contract programmers will be needed for four months in Fiscal Year 2004, five months in Fiscal Year 2005, and one month in Fiscal Year 2006. The programming for the mail element would occur in Fiscal Year 2006 using internal departmental staff.

Funding for credit card fees is also required, as the credit card companies do not allow the credit card fee to be passed on to the customer. The credit card fee is 2.04 percent of each credit card transaction. The estimated credit card costs in Fiscal Year 2005 will be \$31,424 increasing to \$65,463 in Fiscal Year 2009.

Postage cost increases will go from \$38,000 in the 2003-05 Biennium to \$256,000 in the 2007-09 Biennium. Under current business practices, DOL notifies renewal customers with a courtesy postcard reminder. With implementation of alternate renewals, DOL will notify drivers using a letter to ensure that sensitive driver license record information and the internet renewal authorization code remain confidential.

A statewide public outreach and publicity campaign will be initiated to encourage use of alternative renewals. Funding is provided from Fiscal Year 2004 through Fiscal Year 2007 for \$70,000.

Agency Indirect Costs

In addition to the direct costs associated with this fiscal note, DOL included funding to cover agency wide indirect FTEs and related agency wide costs. Based on the cost allocation methodology adopted by DOL in 1999 (with funding realignment approved in the 2000 and 2002 Supplemental budgets and funding realignment requested in the 2004 Supplemental budget) agency wide administrative support is provided at a rate of 12 percent of the direct program costs proposed in this fiscal note.

When the calculation of the 12 percent of direct costs is complete it is split between the department's two support services divisions at 7 percent to the Management and Support Services and 5 percent to the Information Services. Based on those amounts the (partial or full) indirect FTE salary and benefits costs are calculated that can be supported within the constraints of the 7 and 5 percent. For these calculations salary and benefits are based on a Financial Analyst 2 Range 40, Step F and an Information Technology Systems Specialist 4, Range 58, step F. The amount remaining after the salary and benefits are calculated is allocated in object E to provide goods and services for the indirect FTEs. These indirect FTEs are provided supplies, materials, facilities and training based on a calculation using the agency standard rate for support services costs. Thus, the total cost for the fiscal note is: direct program cost \$446,000 + administrative support \$31,000 + information services \$18,000= \$495,000.

The amount received in either Management Support Services or Information Services may not be sufficient to actually hire a new staff person. However, depending on the needs of the division this indirect funding could be used to pay current staff for overtime or extending or increasing the use of temporary and seasonal employees. Expenditures of these types are reflected as FTE usage in the statewide AFRS reports.

Part III: Expenditure Detail

III. A – Expenditures by Object or Purpose

	FY 04	FY 05	03-05 Total	05-07 Total	07-09 Total
FTE Staff Years	0.30	2.00	1.30	(3.70)	(6.40)
Salaries and Wages	15,000	94,000	109,000	(303,000)	(493,000)
Employee Benefits	3,000	19,000	22,000	(72,000)	(119,000)
Personal Service Contracts					
Goods and Services	76,000	271,000	347,000	555,000	612,000
Travel		(1,000)	(1,000)	(8,000)	(12,000)
Equipment	9,000	9,000	18,000	33,000	6,000
Other					
Total	103,000	392,000	495,000	205,000	(6,000)

III. A (1) – Detail of Expenditures by Sub-Object for Goods & Services

Object E Breakdown:	FY 04	FY 05	03-05 Total	05-07 Total	07-09 Total
EA Office Supplies		1,000	1,000		
EN Personnel Services				(2,000)	(4,000)
EB Postage		38,000	38,000	202,000	256,000
EF Printing		16,000	16,000	88,000	114,000
EB Phone/Fax/DP Lines				1,000	2,000
EK Facilities Costs	1,000	8,000	9,000	4,000	4,000
EZ Other Goods & Svcs	8,000	127,000	135,000	245,000	240,000
EL Interagency DP Svcs	6,000		6,000		
ER DP Cont Programmers	61,000	81,000	142,000	17,000	
Total Goods & Svcs	76,000	271,000	347,000	555,000	612,000

III. A (2) – Detail of Expenditures by Fund

Additional information about assumptions and impacts is available directly from the Department of Licensing at 902-3633.

III. B – FTE Detail**EXPENDITURE DETAIL – STAFF**

Job Classification	Salary	<u>FY 04</u>	<u>FY 05</u>	<u>03-05 Total</u>	<u>05-07 Total</u>	<u>07-09 Total</u>
Customer Service Specialist 2	32,544		1.20	0.60	2.50	3.20
Licensing Service Rep 2	36,708		(0.60)	(0.30)	(6.80)	(9.90)
Project Manager	67,728	0.20	0.70	0.50	0.00	0.00
IT System Specialist 4	57,252	0.10	0.10	0.10	0.00	0.00
Financial Analyst 2	40,512		0.50	0.30	0.30	0.00
Financial Analyst 1	36,708		0.10	0.10	0.30	0.30
Total FTEs		0.30	2.00	1.30	(3.70)	(6.40)

III. B – Expenditures by Program (optional)

Program	<u>FY 04</u>	<u>FY 05</u>	<u>03-05 Total</u>	<u>05-07 Total</u>	<u>07-09 Total</u>
100 - Mgmt & Support Services		71,000	71,000	124,000	105,000
200 - Information Services	5,000	50,000	55,000	60,000	58,000
300 - Vehicle Services					
600 - Driver Services	98,000	271,000	369,000	21,000	(169,000)
700 - Business & Professions					
<i>Total</i>	103,000	392,000	495,000	205,000	(6,000)

FTEs by Program

Program	<u>FY 04</u>	<u>FY 05</u>	<u>03-05 Total</u>	<u>05-07 Total</u>	<u>07-09 Total</u>
100 - Mgmt & Support Services		0.60	0.40	0.50	0.30
200 - Information Services		0.10	0.10		
300 - Vehicle Services					
600 - Driver Services	0.20	1.30	0.80	(4.30)	(6.70)
700 - Business & Professions					
<i>Total</i>	0.20	2.00	1.30	(3.80)	(6.40)

Part IV: Capital Budget Impact

None

Part V: New Rule Making Required

None