



40.40 Economic Feasibility Study

40.40.10

July 1, 2010

Purpose and components of an economic feasibility study

The economic feasibility study (EFS) should demonstrate the net benefit of the proposed application in light of the benefits and costs to the agency, other state agencies, and the general public as a whole. The agency **must submit** its EFS and request for approval to the Office of Financial Management (OFM) **prior to** accepting or disbursing electronic funds/benefits, except where noted in Sections 40.20 and 40.30. Approval from OFM is required for pilot and permanent applications, and both internet and retail applications. When completing the EFS, the agency should consider only those portions of the proposed application that are related to electronic payment processing.

If the application includes acceptance of credit cards and/or debit cards, the EFS must specify how (such as, over the counter, via the internet, etc.) funds/benefits will be accepted. The EFS must also specify which card brands (such as, VISA, MasterCard, Discover, American Express, etc.) will be accepted.

The EFS is composed of a cover letter, a business case, and analytical worksheets. In addition, supporting documentation can provide additional detail on the elements and may be included in the EFS if necessary to support the other components of the EFS.

For certain expansions to existing processes, the business case and analytical information may be presented in the cover letter. Contact OFM to determine if this may be done for your application.

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July 1, 2011

Cover letter

The cover letter is addressed to the Statewide Accounting Manager of the Accounting Division at OFM and must be signed by an Assistant Director, or equivalent agency official at the requesting agency. It should contain the name, telephone number, fax number and e-mail address of a contact person at the agency proposing the application.

A brief description of the proposal and electronic payment method should be included, as well as a statement as to whether this is a new method of service delivery or an enhancement of a current mechanism. The letter should also state whether this is a pilot or permanent project. A copy of this cover letter should be sent to the OFM E-Government Consultant, the agency's assigned OFM Accounting Consultant, the agency's assigned OFM Budget Analyst, and the OST Outreach Coordinator.

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Business case

The business case should provide an analysis of the business environment including, but not limited to, a description of who the expected customers are, the nature of the business, how the payment is currently being processed, if applicable, and the current and expected volume and timing of transactions. The business case should also discuss the benefits of the proposed project.

The business case should include a description of the assumptions made in the economic feasibility study (EFS) and the reasoning behind those assumptions. If an application includes electronic payment methods other than ACH, the EFS is **required** to explain why ACH would not be a viable option for the agency's application. Other alternative processes considered should be noted and the consequences of not implementing the proposed application should be explained.

A summary of the agency's economic feasibility elements and the potential need for funding should be included. A summary of the economic feasibility elements for other state agencies and the general public should also be included in the business case. Additional guidance is available below in Subsection 40.40.40 and on OFM's Administrative and Accounting Resources website at:

<http://www.ofm.wa.gov/resources/default.asp>.

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June 1, 2004

Economic feasibility elements

Economic feasibility elements can be expressed quantitatively in the analytical worksheets and summarized in the business case, if possible, or they can be expressed qualitatively in the business case.

The elements include, but are not limited to:

- Increased agency revenue,
- Decreased agency revenue,
- Increased agency costs,
- Decreased agency costs,
- Increased revenue to other agencies and/or the general public,
- Decreased revenue to other agencies and/or the general public,
- Increased costs to other agencies and/or the general public,
- Decreased costs to other agencies and/or the general public, and,
- Other public benefits.

The elements for the agency should be separated from those of other state agencies and the general public so that the potential funding requirements can be discerned.

Additional guidance on economic feasibility elements is available on OFM's Administrative and Accounting Resources website at:
<http://www.ofm.wa.gov/resources/default.asp>.

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June 1, 2004

Analytical worksheets and supporting documentation

Analytical worksheets are spreadsheets that summarize the revenues and costs involved with the proposed project. The amounts on the analytical worksheets should support the amounts and assumptions in the business case. An analytical worksheet summarizing the impact to the agency, other state agencies, and the general public should also be included, as applicable.

Suggested formats and guidelines for analytical worksheets are available on OFM's Administrative and Accounting Resources website at:
<http://www.ofm.wa.gov/resources/default.asp>.

These are illustrative only. Agencies have the option of expanding or revising the suggested formats based on the nature and scope of the proposed project.

Additional supporting documentation that provides further detail on the economic feasibility elements may be included in the EFS if necessary to support the other components of the EFS.

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July 1, 2010

Steps to request approval from the Office of Financial Management

1. Ensure that any application is authorized under RCW 43.88.160 (5). Refer to Subsection 40.10.20.d.
2. It is strongly recommended that the agency work together with its internal information services, program and accounting/fiscal staff, as well as the agency's assigned OFM Accounting Consultant and OFM Budget Analyst to define the project, analyze its viability, and receive assistance in preparing an EFS. Additional guidance is available on OFM's Administrative and Accounting Resources website at: <http://www.ofm.wa.gov/resources/default.asp>.
3. Consider conducting a survey or some other form of evaluation to help determine the needs and usage of the application by potential customers.
4. For new endeavors, consider undertaking a pilot project with limited scope, location and complexity to help determine its overall feasibility. Approval from OFM is required for both pilot and permanent applications.
5. If the electronic payment feature of the application can be separated from the entire project, the EFS should be prepared on the payment piece only.
6. Contact the OST Outreach Coordinator to discuss contracts, merchant IDs, equipment, software, and banking fees. Other banking agreements and applicable cash management laws should also be addressed. Refer to Chapter 65 for further information related to banking services.
7. Contact the Public Deposit Protection Commission to discuss any potential out of state banking issues and any other depository concerns. Refer to Subsection 65.10.10.c.
8. In addition to OFM EFS approval, agencies whose applications include investments in information technology may require additional approvals:
 - If an agency is proposing to invest in an agency financial or administrative system, a separate OFM Systems Approval may be required. Refer to Subsection 80.30.88.

- An additional approval from the Department of Information Services Information Services Board (ISB) may also be required. Agencies should contact their assigned DIS Senior Technology Consultant to determine if this additional approval is required.
9. Consult with the agency's Assistant Attorney General on any legal issues.
 10. Prepare an EFS in conjunction with the agency's assigned OFM Accounting Consultant, the OFM E-Government Consultant, the agency's assigned OFM Budget Analyst, and OST. It is strongly recommended that agencies prepare and submit a draft EFS to OFM and OST for review and comment prior to submitting the final EFS for approval. Additional guidance is available on OFM's Administrative and Accounting Resources website at: <http://www.ofm.wa.gov/resources/default.asp>.

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Steps after approval is obtained

1. For all applications, contact the OST Outreach Coordinator.
2. Set up procedures to account for the processing fees and other banking costs associated with the electronic receipt and/or disbursement of funds. Unless otherwise provided by law, electronic payment processing and/or transaction fees may not be netted from revenues. Agencies operating in appropriated accounts are to record costs associated with the electronic receipt and/or disbursement of funds as expenditures. Such information should be readily available when requested.
3. Set up procedures to reconcile receipts with the amounts reported by outside entities.
4. If the application involves the internet, create an application design and test it prior to implementation.
5. Train personnel and market the application as appropriate.
6. Collect data on the actual usage, revenue, cost, etc., of the application. Such information is useful for determining ongoing economic feasibility.