40.40   Economic Feasibility Study

40.40.10   Purpose and components of an economic feasibility study
Oct. 1, 2011

The purpose of an economic feasibility study (EFS) is to demonstrate the net benefit of a proposed project for accepting or disbursing electronic funds/benefits, taking into consideration the benefits and costs to the agency, other state agencies, and the general public as a whole.

The EFS is composed of **two required forms**:

- Business Case
- Cost Benefit Analysis

These forms are available on the Office of Financial Management's (OFM) E-Commerce Resources website at: E-Commerce Resources.

The agency **must submit** its EFS and request for approval to 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 projects, and both internet and retail projects. When completing the EFS, the agency should consider only those portions of the proposed project that are related to electronic payment processing.

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

In addition, supporting documentation can provide additional detail on the elements and may be submitted with the EFS if necessary.

40.40.20   Economic feasibility elements
Oct. 1, 2011

Economic feasibility 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.

These items are to be described in detail in the Business Case, and the associated dollar amounts for these items included in the Cost Benefit Analysis. 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 the Office of Financial Management's E-Commerce Resources website at: E-Commerce Resources.

40.40.30   Business Case
Oct. 1, 2011

The Business Case is to be submitted on the Business Case form. The Business Case form is available on the Office of Financial Management's E-Commerce Resources website at: E-Commerce Resources.

The Business Case provides 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 also presents the benefits of the proposed project.

The Business Case includes a description of the assumptions made in the economic feasibility analysis and the reasoning behind those assumptions. If a project includes electronic payment methods other than ACH, the Business Case is **required** to explain why ACH would not be a viable option for the agency's project.   Other alternative processes considered should be noted and the consequences of not implementing the proposed project are to be explained.

A summary of the agency's economic feasibility elements and the potential need for funding are to be included in the Business Case. A summary of the economic impact on other state agencies and the general public is also presented in the Business Case.

40.40.40   Cost Benefit Analysis
Oct. 1, 2011

The Cost Benefit Analysis is presented on the Cost Benefit Analysis form. The Cost Benefit Analysis form is available on the Office of Financial Management's E-Commerce Resources website at: E-Commerce Resources.

The Cost Benefit Analysis summarizes the revenues and costs involved with the proposed project. The amounts in the Cost Benefit Analysis should reflect the amounts and assumptions in the Business Case. An analysis summarizing the impact to the agency, other state agencies, and the general public is also included, as applicable.

40.40.50   Supporting documentation
Oct. 1, 2011

If necessary, additional supporting documentation may be included with the EFS to support the Business Case and Cost Benefit Analysis.

40.40.60   Steps to request approval from the Office of Financial Management
Jan. 1, 2012

1. Ensure that any project 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 Office of Financial Management (OFM) Accounting Consultant and Budget Analyst to define the project, analyze its viability, and receive assistance in preparing an EFS. Additional guidance is available on OFM's E-Commerce Resources website at: E-Commerce Resources.

3. Consider conducting a survey or some other form of evaluation to help determine the needs and usage of the project 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 projects.

5. If the electronic payment feature of the project can be separated from the entire project, the EFS should be prepared on the payment piece only.

6. Contact the OST Cash Management Section 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 the EFS approval, agencies whose projects 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 Systems Approval may be required. Refer to Subsection 80.30.88.

   • An additional approval from the Office of the Chief Information Officer (OCIO) and/or the Technology Services Board may also be required. Agencies should contact their assigned OCIO 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 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 E-Commerce Resources website at: E-Commerce Resources.

40.40.70   Steps after approval is obtained
July 1, 2010

1. For all projects, contact the Office of the State Treasurer, Cash Management Section.

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 project involves the internet, create an application design and test it prior to implementation.

5. Train personnel and market the project as appropriate.

6. Collect data on the actual usage, revenue, cost, etc., of the project. Such information is useful for determining ongoing economic feasibility.