Economic Feasibility Study (EFS) Revenue and Cost Elements

Washington state agencies are required to submit an EFS to obtain approval from the Office of Financial Management prior to the acceptance or disbursement of electronic payments (refer to *SAAM* Chapter 40 for specific requirements). An EFS is comprised of two required forms: the Business Case form, and the Cost Benefit Analysis form. If necessary, other supporting documentation may also be included with your EFS forms.

This list of economic feasibility revenue and cost elements is meant to help agencies in preparing the Business Case form and the Cost Benefit Analysis form for an EFS. It is intended to serve as a starting point for your analysis as there may be other revenue and cost elements. Remember to consider and include the costs and benefits to other state agencies and the customer as well. If an agency is considering a multi-purpose project that includes an electronic payment feature and the agency can separate the costs and benefits of the payment piece from the entire project, only the payment piece needs to be included in the EFS.

Revenue:

- New revenue source for the agency. If so, project the number of new transactions expected and the average dollar amount per new transaction for each fiscal year of the EFS to determine the corresponding increased revenue amounts.
- Existing agency application with a redirected revenue stream such as a new payment type option. If so, project the number of transactions expected using the new payment type and the average dollar amount per transaction for each fiscal year of the EFS to determine the corresponding increased revenue amounts.
- Decreased revenue for the agency. If so, project the number of lost transactions and the average dollar amount per lost transaction for each fiscal year of the EFS to determine the corresponding decreased revenue amounts.
- Increased or decreased revenue to another state agency or your customers.
- Increased compliance with existing laws, thereby increasing revenue.
- Shortening the amount of time for the state to receive payment, thereby increasing the time availability of funds.

New or increased costs:

One-time costs

- New hardware or equipment purchases.
- Infrastructure costs such as local area networks, additional telephone lines, or additional storage facilities.
- Consulting fees.
- Development costs such as service contracts to create the payment application.
- Software purchases and/or licensing costs.
- Digital signatures/certificates.
- One-time modifications to an existing system.
- One-time costs associated with Internet hosting services.

- One-time costs to set-up an outside data warehousing service associated with Automated Clearing House (ACH) payments.
- Costs associated with testing and marketing the new application.
- Account set-up fees. Work with the Office of State Treasurer (OST) to determine the amount.
- Initial lockbox service set-up fees. Contact OST about available contracts.
- Initial training costs.
- Organizational restructuring costs.
- Other one-time cost.

On-going costs

- Continuing hardware leasing and/or maintenance costs.
- Other equipment leasing and/or maintenance costs.
- Continuing infrastructure costs.
- Continuing consulting fees.
- Continuing development costs.
- Continuing software maintenance, license renewal and/or update costs.
- Additional digital signature/certificate fees.
- On-going Internet hosting service costs.
- Monthly fees from the Department of Enterprise Services or another service provider.
- Outside data warehousing costs or additional staff needed to support a database associated with ACH payments.
- Transaction fees such as credit card fees. Work with OST to estimate the amount of these costs.
- Monthly reporting fees, invoicing fees, or other electronic payment processor costs. Work with OST to determine these costs.
- Monthly lockbox service fee.
- Continuing training costs.
- Additional help desk and other support costs.
- Additional staff positions needed to maintain the electronic payment feature.
- Other on-going costs to the agency.
- Costs to other state agencies.
- Costs to the customer, such as convenience fees.

Decreased costs (cost savings/cost avoidance):

- Fewer refunds may need to be processed by the agency due to more accurate payment calculations via automated systems.
- Cost reductions if fewer transactions occur in the field offices.
- Reduced infrastructure costs.
- Decreased check/cash handling costs such as security, transit, storage, and theft or pilferage associated with a decrease in the number of checks/cash processed.
- Paper and/or mailroom cost reductions as a result of fewer checks processed.
- Decreased banking and/or NSF fees associated with a decrease in the number of checks processed.
- Decreased training, maintenance or software costs

- Decreased staff costs or the ability to redistribute current staff due to a reduction in the number of checks/cash processed.
- Decreased help desk support needed due to the decrease in checks/cash processed.
- Decreased accounts receivable processing costs associated with a decrease in the number of checks/cash processed.
- Other cost reductions for the agency.
- Cost savings for other state agencies.
- Cost savings to the customer, such as:
  - Decreased penalties from incorrect amounts paid.
  - Decreased check writing and mailing costs.
  - Decreased wait time at the agency's or subagent's counter, decreased travel time to the agency or subagent, or decreased time spent in filling out forms. To calculate the customer's decreased time costs, use a standard wage for the customer multiplied by the number of customers multiplied by the amount of time saved per fiscal year.
  - Decreased parking fees at the agency or subagent.

Public benefits:

- Improved quality of life for the general public.
- Reduction in road traffic and highway congestion.
- Increase in customer satisfaction and in the image of the state.
- Increase in economic activity for the state.
- Help other agencies or improve inter-agency coordination of services.
- Improve the public's knowledge of the agency and of its services.
- Increase agency efficiencies and data accuracy.
- Helping the agency achieve its strategic plan.
- Other public benefits.