Agency Priority Goal Action Plan

Improved Business Qualification/Permitting Process

Goal Leader: Mary Ryan, Acting Administrator, Alcohol and Tobacco Tax and Trade Bureau (TTB)

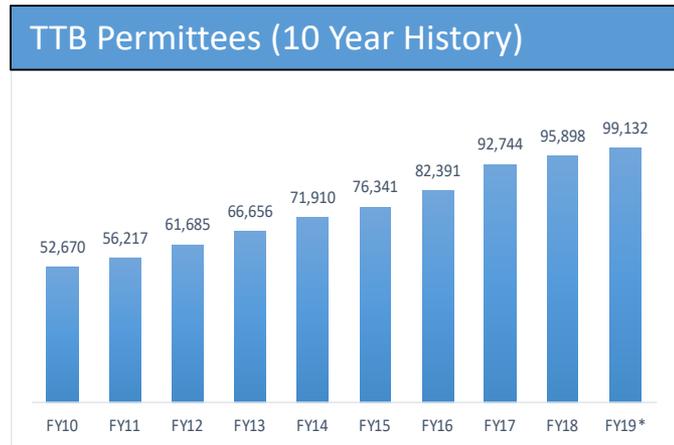**Deputy Goal Leader:** Dan Riordan, Acting Deputy Administrator, TTB

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Overview

Goal Statement

o   Reduce average approval times for alcohol and tobacco business permits by at least 20 percent (from 96 days to 75 days) and achieve the 75-day standard for 85 percent of applicants by September 30, 2019.

Challenge

o   Ongoing growth in the alcohol beverage industry in recent years has resulted in an increased volume in permit applications for new alcohol producers as well as applications for amendments to existing permits to reflect changed or expanded operations. This growth in workload has contributed to delayed permit approvals by TTB – reaching 200 days in FY 2016, far exceeding TTB's service standard of 75 days for 85 percent of all permit applications – so that new businesses are waiting for months to begin producing and selling their products while having already made significant investments in their operations.

TTB Permittees (10 Year History)

| FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19*
52,670	56,217	61,685	66,656	71,910	76,341	82,391	92,744	95,898	99,132

Opportunity

o   In FY 2017, TTB reviewed its current permit approval processes, applications, and online systems, which resulted in actionable recommendations to streamline and facilitate the permit application process for prospective industry members. The planned improvements are also consistent with the Administration's regulatory reform agenda to eliminate burdensome regulatory requirements.

*TTB transitioned to a new data reporting platform in FY 2018; additional data validations are underway

Goal Structure & Strategies

Key Strategies

TTB plans to accomplish this goal through three primary strategies:

o *Streamline Permit Processes*
  - o Implement recommendations from its Lean Six Sigma process review to address bottleneck(s) in the review and approval of permit applications that cause inefficiencies and slow overall review time.

o *Modernize Permit Applications*
  - o Continue to implement changes to TTB permit applications, using a phased approach that relies on both administrative and regulatory authorities, to eliminate certain requirements and streamline the filing process, targeting a decrease of 50 percent of open text fields and attachments.

o *Enhance Permits Online*
  - o Enhance the Permits Online system in two phases, beginning with the FY 2018 release of a redesign of the existing COTS-based system (including functionality to streamline the process for amending permits, automate certain approvals, and improve system checks and guidance to reduce errors on applications); in FY 2019, TTB is initiating the development of a custom system that will reflect the updated permit applications and include more advanced features to support users in filing correctly the first time.

Streamline
Permit
Processes

Reduce
Permit
Approval
Times

Enhance
Permits
Online

Modernize
Permit
Application
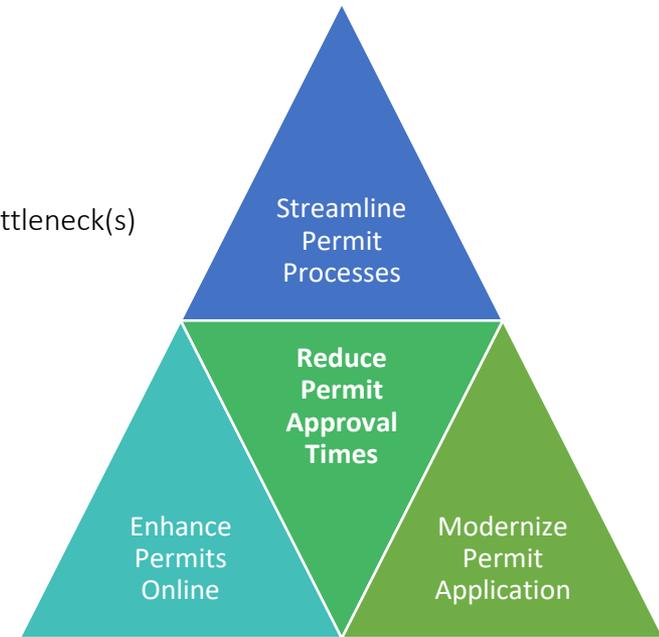
Key External Factors

o *Industry Growth*. Continued growth in the alcohol beverage industry increases permit workload, both in terms of new submissions and resubmissions due to high error rates on initial applications, which create challenges to meeting the 75-day service standard despite recent improvements; this longstanding challenge may be compounded if recent tax reforms for the alcohol industry become permanent, which may trigger an increase in application volume.

o *Rulemaking Process*. Several identified changes to TTB's permit applications require rulemaking, which is a multi-year process that requires several levels of approval and may strain TTB resources given that the APG period coincides with a timeframe where urgent and mandatory regulatory guidance is needed to implement and enforce recent tax reform legislation.

o *Funding and Staffing Levels*. Funding enacted in the FY 2019 budget must be maintained to implement TTB's strategy to develop a custom Permits Online system, and any funding reductions will adversely affect program performance.

Summary of Progress – Q4 FY 19

Q4 Progress:
o TTB met one of its two APG targets by the end of FY 2019, reducing average approval times by 20% from 96 days in FY 2017 to 75 days in FY 2019. However, TTB fell short of its second target to achieve the 75-day service standard for 85% of permit applicants. In FY 2019, during the government shutdown, with industry continuing to file for Federal permit approval, the backlog of pending applications continued to increase and age. As a result, for FY 2019, TTB issued 58% of permit applications within its 75-day service standard.

o The redesigned Permits Online released late in FY 2018 helped TTB achieve high electronic filing rates to support timely processing, trending positively to 89% in FY 2019. TTB also continued to track system satisfaction rates to ensure its eGov systems effectively serve and meet the expectations of its customers. However, system satisfaction rates generally correlate to application approval times and, with the delays in processing in FY 2019, surveyed customers indicated higher levels of dissatisfaction with system performance this year. However, as anticipated, system satisfaction rates rebounded in line with service improvements, increasing from a low of 62% in Q2 FY 2019 to 73% in Q4 FY 2019. TTB expects positive trends in electronic filing rates and system satisfaction to continue in FY 2020, in line with progress in timely processing.

o Additionally, with the release of the new Permits Online system and publication of extensive online guidance in FY 2018, as well as the first phase of application changes implemented in Q4 FY 2019, TTB was able to bend the curve on the high volume of applications submitted with errors. Reducing errors on applications is critical, as time spent returning applications to applicants for corrections or additional supporting information adds significantly to overall processing times. Since FY 2016, error rates on permit applications have remained at or above 80%, with rates much higher for breweries, wineries, and distilleries, which have more complex applications compared to non-manufacturers (i.e., wholesalers and importers). For FY 2019, the error rate on permit applications decreased to 71%, with improvements achieved across most application types.

Accomplished Milestones:
o TTB achieved all of the FY 2019 milestones, and is positioned for achieving and maintaining its performance goals in the next fiscal year:
  ➢ Entered into TTB clearance a Permit Modernization rulemaking based on recommendations from an internal review of permit application requirements, which was informed by RFI input from industry for reducing regulatory burden.
  ➢ Implemented initial phases of revised permit application requirements, which have begun to replace supplemental documentation with applicant attestations regarding compliance with federal regulations.
  ➢ In the final stages of implementing new guidance materials and tools for TTB specialists to streamline and improve standardization in the internal permit processing procedures.
  ➢ Completed vendor acquisition to support system modernization and initiated IT development efforts, incorporating input from the LSS review and other process improvement efforts, as well as permit application modernization plans.

Close Out:
o TTB will remain focused on performance improvement through FY 2020. Through concerted recovery efforts, TTB ended the fiscal year with 68% of applications issued within 75 days in September 2019, which positions the bureau to achieve this priority goal target in FY 2020.
o TTB expects to achieve and maintain its performance goals through Permits Online system enhancements, continued process improvements, and implementation of permit application revisions, with the full impact of these changes expected to be realized in FY 2020.
o TTB strategies in the coming years also will remain focused on reducing the application error rate through system checks, enhanced guidance, and simplified application requirements.
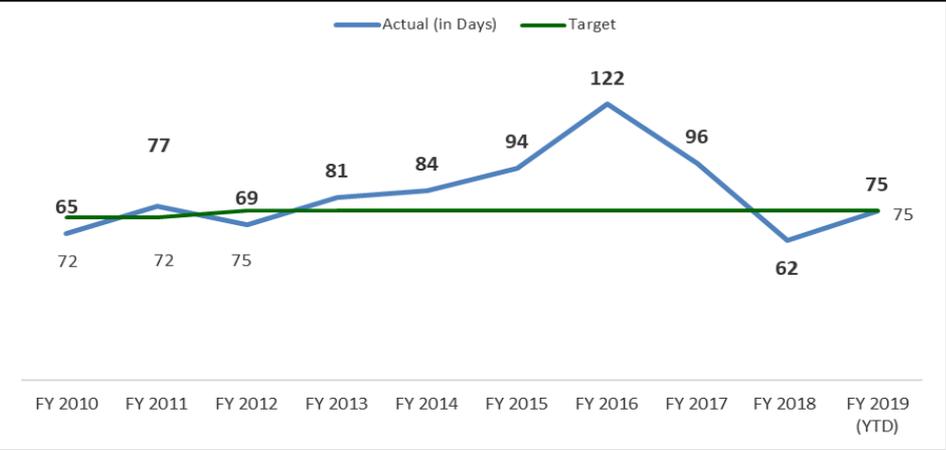
Key Milestones

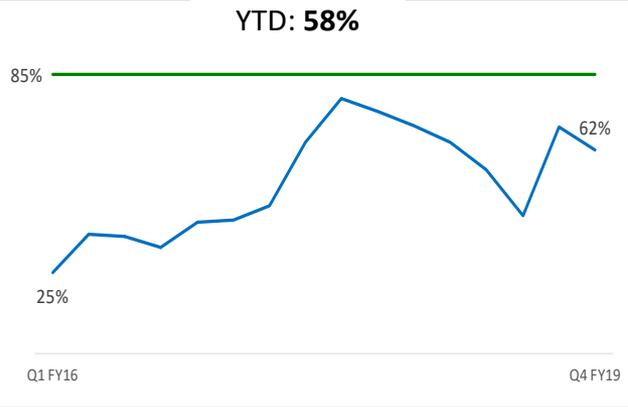|	Milestone Summary		
Key Milestone (associated strategy)	**Milestone Due Date**	**Milestone Status**	**Comments**
Complete review and recommendations to streamline permit application requirements (Modernize Permit Applications)	Q2 FY 2018	Complete	Initial review completed and cross-checked against industry input collected through Treasury RFI on deregulatory proposals
Release redesign of Permits Online (PONL 5.0) to address inefficiencies related to amending existing permits (Enhance Permits Online)	Q4 FY 2018	Complete	Deployed on July 31, 2018
Publish updated guidance on TTB.gov to assist applicants with submitting an application (Enhance Permits Online)	Q4 FY 2018	Complete	TTB published all planned guidance items concurrent with the PONL 5.0 release
Complete Lean Six Sigma (LSS) review of existing bottleneck(s) in permit processing (Streamline Permit Processes)	Q1 FY 2019	Complete	Joint project for TTB and Treasury OSPPI completed in September 2018, with recommendations related to enhanced reference tools, workload balancing, process measurement, internal/external communication, and system enhancements
Initiate rulemaking to modify or eliminate certain permit application requirements (Modernize Permit Applications)	Q1 FY 2019	Complete	Draft rulemaking in internal review to notice proposed changes to application requirements for first permit types, with target publication in FY 2020
Initiate requirements for IT development of custom permit system (Enhance Permits Online)	Q2 FY 2019	Complete	With enacted FY 2019 funding, initiated high-level requirements for phased system releases; completed vendor acquisition for custom system development by year-end
Implement LSS recommendations for interim process improvements (Streamline Permit Processes)	Q3 FY 2019	Complete	Completed internal pilot of new guidance materials/tools to improve and standardize internal processes; full implementation in progress, including union negotiations
Initiate IT development of custom permit system (Enhance Permits Online)	Q4 FY 2019	Complete	Initial development includes single sign-on functionality and internal workflow upgrades, with releases targeted for FY 2020; on a parallel path, in FY 2019, TTB completed incremental additional PONL releases with revisions to the permit application requirements that could be implemented in advance of a final rule

Key Indicators

Average Permit Approval Time (10 Year History)*

Legend: Actual (in Days) — Target

Actual values: 65, 77, 69, 81, 84, 94, 122, 96, 62, 75

Target values: 72, 72, 75, 75

X-axis: FY 2010, FY 2011, FY 2012, FY 2013, FY 2014, FY 2015, FY 2016, FY 2017, FY 2018, FY 2019 (YTD)

Permits Meeting Service Standard (<75 Days)

YTD: **58%**

85%, 25%, 62%

Q1 FY16 — Q4 FY19

Permit Application Initial Error Rate

YTD: **71%**

81%, 25%, 74%

Q1 FY16 — Q4 FY19
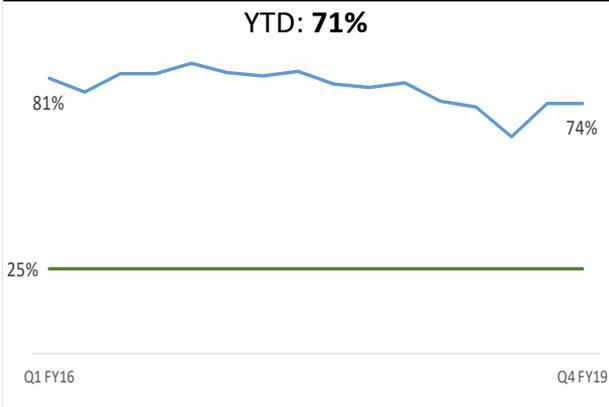
eGov Satisfaction (Permits Online)

YTD: **68%**

80%, 53%, 73%

Q1 FY16 — Q4 FY19

Legend: Actual — Target

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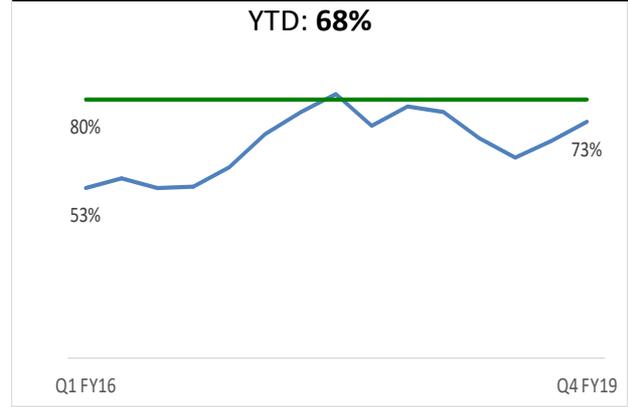
*Historic data validated for FY 2017 – 2018; prior years require additional validation

Data Accuracy and Reliability

Measure 1: Average Approval Time for Permit Applications								
Definition	The total average time for TTB to process and issue applications for a Federal alcohol, tobacco, or firearm permit, notice, or registration. The clock starts when TTB receives an application until it is approved/issued (excludes denied, withdrawn or abandoned applications), and includes all processing time, including time an application is on hold pending additional information and/or supporting documentation from the applicant. The measure enables TTB to monitor the efficiency of the permit application process as well as a gauge of how closely TTB's level of service is to the annual service standard.							
Type/Category	Performance Measure/Outcome							
Targets	**FY18 Q1**	**Q2**	**Q3**	**Q4**	**FY19 Q1**	**Q2**	**Q3**	**Q4**
	75	75	75	75	75	75	75	75
Desired Direction	Down							
Unit of Measure	Days							
Calculation Methodology	Run a report of all applications with an Issue Date as of the end of the reporting period. Calculate the number of days between Application Received Date and Issue Date. Sum the total number of days to issue for all application types and divide by the total number of applications issued as of the end of the reporting period to calculate the overall average. The average is calculated by paper and electronic submissions and by application type (e.g., distilled spirits plant, winery, brewery) so that the data can be disaggregated by filing method and by application type. Data is presented as year-to-date as of the end of the quarterly reporting period.							
Data Source	Paper permit application data (received and closed dates) are maintained in the Integrated Revenue Information System, TTB's central database for tax and permit information, and electronic permit application data (received and closed dates) are maintained in Permits Online.							
Quality	Reasonable for intended use							
Frequency	Quarterly							

Data Accuracy and Reliability

Measure 2: Percentage of Permit Applications Processed within Service Standards								
Definition	The overall rate at which TTB is meeting its annual service standard (75 days for FYs 2018 and 2019) for all original permit applications. The measure gauges the efficiency and consistency of TTB's permitting process and supports effective communication with industry members as to level of service.							
Type/Category	Performance Measure (with target) – Outcome							
Targets	**FY18 Q1**	**Q2**	**Q3**	**Q4**	**FY19 Q1**	**Q2**	**Q3**	**Q4**
	85%	85%	85%	85%	85%	85%	85%	85%
Desired Direction	Up							
Unit of Measure	Percentage (%)							
Calculation Methodology	Sum all permits/notices/registrations issued within 75 days or less and divide by the total number of permits issued within the reporting period. The totals are collected by commodity (e.g., alcohol, tobacco, firearms) and application type (e.g., distilled spirits plant, winery, brewery) so that the data can be disaggregated by type. Data is presented as year-to-date as of the end of the quarterly reporting period.							
Data Source	Paper permit application data (counts and processing times) are maintained in the Integrated Revenue Information System (Desktop Version), TTB's central database for tax and permit information, and electronic permit application data (counts and processing times) are maintained in Permits Online.							
Quality	Reasonable for intended use							
Frequency	Quarterly							

Data Accuracy and Reliability

Measure 3: Initial Application Error Rate for Permits								
Definition	The total number of applications received that required TTB to return to the applicant for corrections (missing or incomplete application fields) or additional information (missing or incomplete documentation to support the application). A high volume of errors impedes timely review and approval as the total processing time includes all back-and-forth with applicants.							
Type/Category	Performance Measure (with target) – Outcome							
Targets	**FY18 Q1**	**Q2**	**Q3**	**Q4**	**FY19 Q1**	**Q2**	**Q3**	**Q4**
	25%	25%	25%	25%	25%	25%	25%	25%
Desired Direction	Down							
Unit of Measure	Percentage (%)							
Calculation Methodology	Sum of all original permit applications filed through Permits Online (PONL) with an action of "Corrections Requested" divided by the sum of all original applications filed through PONL that were completed (approved, withdrawn, or abandoned) within the reporting period. This measure represents only electronic submissions; paper submissions are excluded. This measure does not include in-process applications. If the application status is "Correction Made" (indicating a specialist made minor correction(s) pursuant to TTB policy), and the application is otherwise correct, then it counts as correct; if the application is otherwise incorrect, it counts as incorrect.							
Data Source	Permits Online (PONL Corrections Compliance Report)							
Quality	Reasonable for intended use							
Frequency	Quarterly							

Data Accuracy and Reliability

Measure 4: eGov System Satisfaction Rate (Permits Online)								
Definition	TTB administers a monthly e-mail survey to all users of Permits Online for filing new or amended permit applications. TTB sends the surveys within 5 days of the close of the month; consequently, the results reflect satisfaction rates of system users for the preceding month. The survey includes questions related to the overall permitting process, including guidance, timeliness, the filing system, and assistance received; a subset of questions that represent the filing experience through Permits Online are included in this measure.							
Type/Category	Performance Measure (with target) – Customer Satisfaction							
Targets	**FY18 Q1**	**Q2**	**Q3**	**Q4**	**FY19 Q1**	**Q2**	**Q3**	**Q4**
	80%	80%	80%	80%	80%	80%	80%	80%
Desired Direction	Up							
Unit of Measure	Percentage (%)							
Calculation Methodology	The Permits Online Survey is sent via e-mail through SurveyMonkey to all Permits Online users who submitted a new or amended permit application within the prior month (e.g., quarterly data for Q1 includes applicant responses for those who filed through Permits Online between September – November). Each month, results are tallied by the number of respondents who answered "somewhat satisfied" or "extremely satisfied" on each survey question related to the filing process (Qs 1, 2, 3, 5, 6, and 7) divided by the total number of respondents. The quarterly result is the average of the monthly rates for original and amended applications.							
Data Source	Permits Online Survey, administered via SurveyMonkey							
Quality	Reasonable for intended use							
Frequency	Monthly (Collection); Quarterly (Reporting)							

Additional Information

Contributing Programs

Organizations:

- o Trade Associations: Continued participation in user experience system testing and assistance with educational efforts to reduce error rates on initial applications

Program Activities:

- o Permits & Business Qualification Program: All activities related to processing and verifying applicants are qualified to hold a Federal alcohol, tobacco, or firearms permit, notice, or registration.

Regulations:

- o Rulemaking: Requires rulemaking to update CFR Parts 19, 24, 25, 27, 40, 41, and 44 and related policies and forms.

Stakeholder / Congressional Consultations

TTB's planned changes to its permit application requirements incorporate numerous regulatory reduction proposals submitted by the public in response to Treasury's Request for Information published in the Federal Register in FY17. In addition, the planned system enhancements reflect input received from industry members during two rounds of user experience testing with Permits Online. Further, Congress has indicated continued interest in the performance of TTB's permitting program through an increased volume of constituent inquiries that directly correspond with increased approval times by TTB and declining program performance.