Improved Business Qualification/Permitting Process

Goal Leader: John Manfreda, Administrator, Alcohol and Tobacco Tax and Trade Bureau (TTB)

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Performance.gov

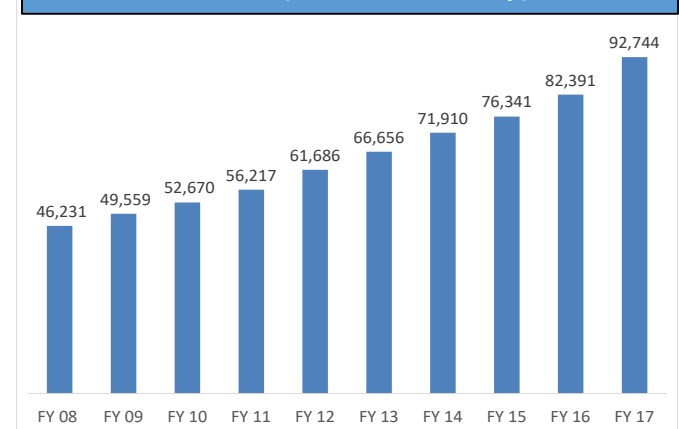Fiscal Year 2018, Quarter 3

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)

| FY 08	FY 09	FY 10	FY 11	FY 12	FY 13	FY 14	FY 15	FY 16	FY 17
46,231	49,559	52,670	56,217	61,686	66,656	71,910	76,341	82,391	92,744

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.

Goal Structure & Strategies

Key Strategies

TTB plans to accomplish this goal through three primary strategies:

o *Streamline Permit Processes*
- o TTB plans to initiate a 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 TTB plans to implement changes to its 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 TTB will enhance its Permits Online system in two phases, beginning with the planned 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 will initiate 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.
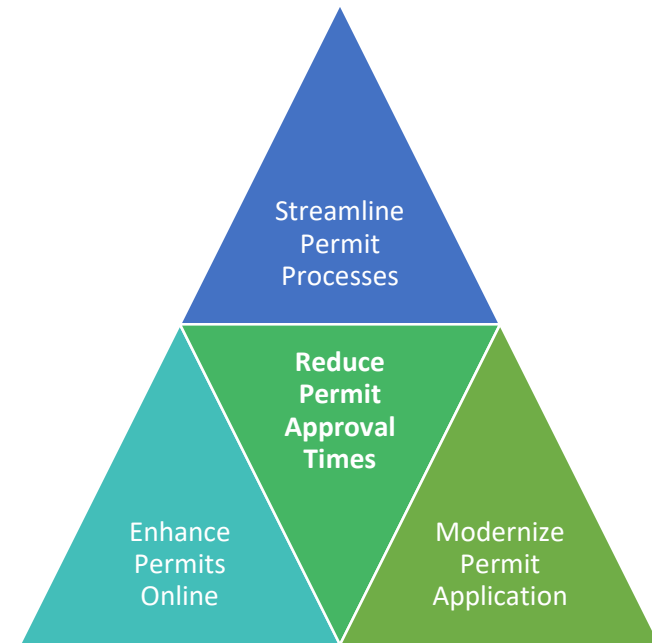
Key External Factors

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, creating challenges to meeting the 75-day service standard; this longstanding challenge may be compounded by recent tax reforms for the alcohol industry, 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 action is needed to implement recent tax reform legislation.
o *Funding and Staffing Levels*. Funding proposed in the FY 2019 budget must be enacted and maintained to implement TTB's strategy to develop a custom Permits Online system, and any funding reductions will adversely affect program performance.

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Summary of Progress – FY 18

Q3 Progress:

o Though performance trended negatively in Q3, TTB remains on track to achieve the performance goal for this APG. TTB anticipated certain performance setbacks as it prepared to release the redesigned Permits Online system; with a July 2018 deployment target, staff resources were temporarily redirected to support system testing and other preparatory tasks related to the release. As a result, average processing times were up from 59 days in Q2 to 62 days at the end of Q3, with 72% of permits processed within the service standard.

o System satisfaction rates held steady at 77% as of Q3, but remain below the target of 80%. Satisfaction should improve as TTB continues to make progress in timely processing.

o The error rate on applications remains a challenge. As of Q3, 80% of the applications that TTB receives are submitted with errors, with rates much higher for breweries, wineries, and distilleries, which have more complex applications compared to non-manufacturers (i.e., wholesalers and importers). Because time spent returning applications to applicants for corrections or additional supporting information adds significantly to overall processing times, TTB strategies will remain focused on reducing the application error rate through system checks, enhanced guidance, and simplified application requirements.

Accomplished Milestones:

o As of Q3, TTB completed or is on track to complete all FY 2018 milestones:

  ➢ Continued development and testing of Permits Online (PONL 5.0), with end-to-end system testing on track for completion in early July, and a targeted release date of July 31, 2018. This release includes multiple enhancements that will streamline the filing process for new and amended permit applications, including changes to the Personnel Questionnaire that significantly reduce the extensive information previously required for company owners and officers.

  ➢ Finalized or entered into clearance all external guidance to help Permits Online users submit complete applications and navigate the new PONL 5.0 features and functionality, including a tutorial, video aides, and nearly 40 Help Topics.

o TTB also initiated efforts on its first two milestones for FY 2019:

  ➢ Continued drafting Permit Modernization rulemaking based on a recommendations from an internal review of permit application requirements, which was informed by RFI input from industry for reducing regulatory burden.

  ➢ Continued preparations for the September 2018 Lean Six Sigma review of permit processes, in conjunction with Treasury's Office of Strategic Planning and Performance Improvement, including gathering key metrics and process documentation, and preparing process demonstrations, to facilitate work process improvements by Q3 FY 19 and incorporate recommendations into a potential custom permit system by the end of Q4 FY 19 .
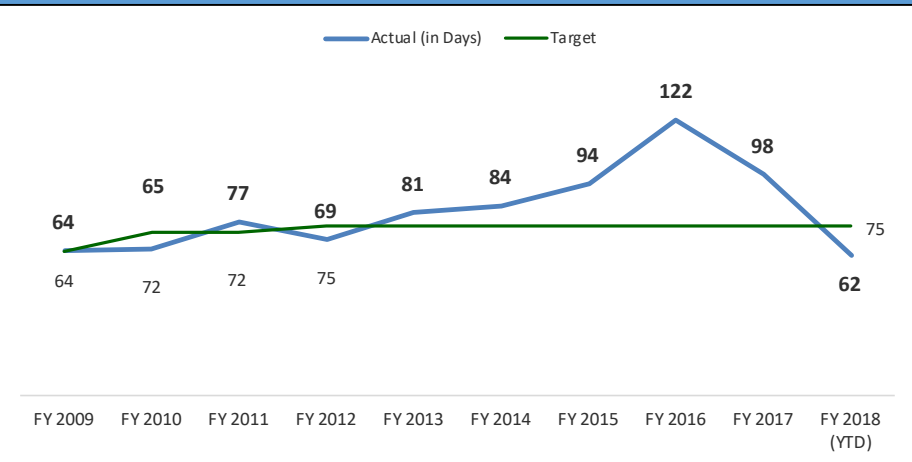
Key Milestones

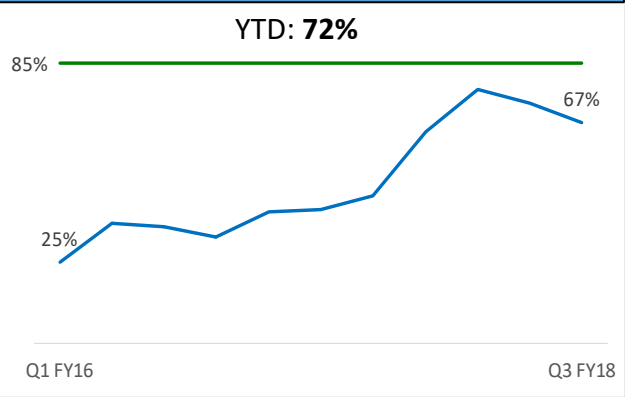|	Milestone Summary		
Key Milestone (associated strategy)	**Milestone Due Date**	**Milestone Status**	**Comments**
Complete review and recommendations to streamline permit application requirements (Modernize Permit Applications)	Q2 FY 2018	Complete	Initial review completed and cross-checked against industry 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	On Track	Continued system testing; fixed and validated critical defects and on track to complete final end-to-end system test in early July as planned to deploy by July 31, 2018
Publish updated guidance on TTB.gov to assist applicants with submitting an application (Enhance Permits Online)	Q4 FY 2018	On Track	TTB is on track to publish all planned guidance items concurrent with the PONL 5.0 release; TTB resumed promoting the new PONL release and its features through the newsletter and TTB.gov during the first week of July
Complete Lean Six Sigma (LSS) review of existing bottleneck(s) in permit processing (Streamline Permit Processes)	Q1 FY 2019	On Track	Joint project for TTB and Treasury OSPPI kicked off in March 2018; team will use a Kaizen approach (or one-week accelerated review) in September; team is compiling key metrics for the Measure and Analyze phases of the project
Initiate rulemaking to modify or eliminate certain permit application requirements (Modernize Permit Applications)	Q1 FY 2019	On Track	Drafting rulemaking to notice proposed changes to permit application requirements
Initiate requirements for IT development of custom permit application (Enhance Permits Online)	Q2 FY 2019	Not Started	FY 19 President's Budget includes $4.6M for a custom permit system; development effort dependent on enactment of FY 19 funding
Implement LSS recommendations for interim process improvements (Streamline Permit Processes)	Q3 FY 2019	Not Started	
Initiate IT development of custom permit application (Enhance Permits Online)	Q4 FY 2019	Not Started	Pending final rule and FY 19/20 funding

Key Indicators

PROGRAM STATS
Permit Applications Received: 6,919 (up 5% from YTD FY17)
E-Filing Rate: 88% (up 3% from FY17)

Average Permit Approval Time (10 Year History)

Legend: Actual (in Days), Target

Data points (Actual, in Days): FY 2009: 64, FY 2010: 65, FY 2011: 77, FY 2012: 69, FY 2013: 81, FY 2014: 84, FY 2015: 94, FY 2016: 122, FY 2017: 98, FY 2018 (YTD): 62

Target values: 64, 72, 72, 75, ... 75

Permits Meeting Service Standard (<75 Days)

YTD: **72%**

85%, 25%, 67%
Q1 FY16 — Q3 FY18

Permit Application Initial Error Rate*

YTD: **80%**

81%, 80%, 25%
Q1 FY16 — Q3 FY18
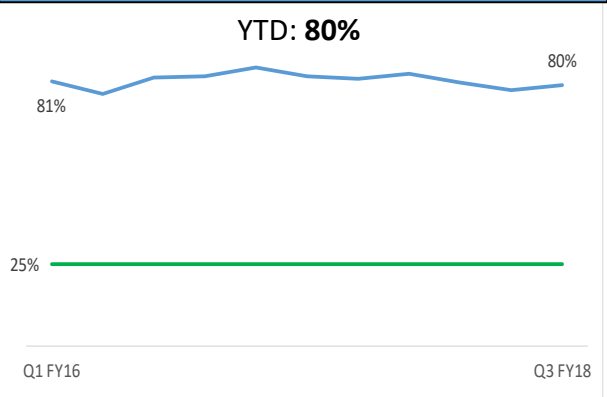
eGov Satisfaction (Permits Online)

YTD: **77%**

80%, 53%, 78%
Q1 FY16 — Q3 FY18
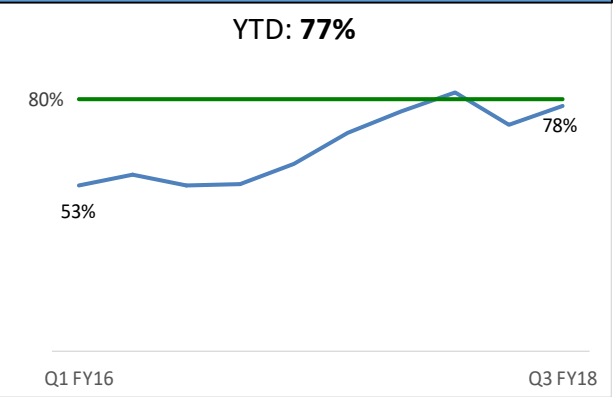
Legend: Actual, Target

*Revised in Q2 due to error in source data

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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 and continues until it is approved/a permit is 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) without 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. The surveys are sent with a one-month lag, so that results represent satisfaction rates for activity in the prior 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.