

## Improved Business Qualification/Permitting Process (TTB)

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Taxation

Theme: General Government

# Overview

## Goal Statement

- 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

- 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)



## Opportunity

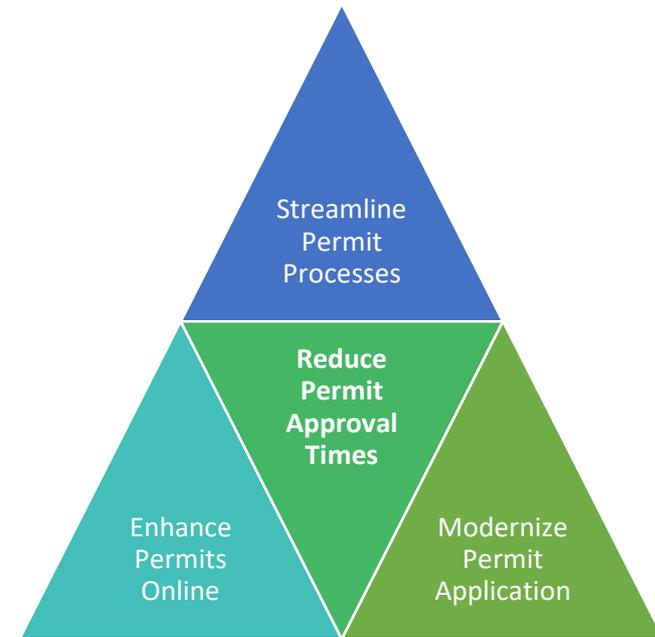
- In FY 2017, TTB reviewed its current permit approval processes, applications, and online systems, which resulted in actionable recommendations to streamline and facilitate the permit application process for prospective industry members. The planned improvements are also consistent with the Administration’s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

# Goal Structure & Strategies

## Key Strategies

TTB plans to accomplish this goal through three primary strategies:

- Streamline Permit Processes
  - 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.
- Modernize Permit Applications
  - 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.
- Enhance Permits Online
  - 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

- 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.
- 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.
- 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.

# Summary of Progress – FY18 Q2

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## Q2 Progress:

- TTB remains on track to achieve the performance goal for this APG. Even with a major merger that resulted in a workload increase related to permit amendments, which draw from the same TTB resources needed to timely process original permit applications, average processing times were up only slightly to 59 days at the end of Q2, with 75% of permits processed within the service standard.
- System satisfaction rates declined in Q2, in line with slightly longer processing times, falling below the target of 80% to 77% as of the end of Q2. Satisfaction should improve as TTB continues to make progress in timely processing.
- The error rate on applications remains a challenge. Following a data correction in Q2, nearly 80% of the applications TTB receives are submitted with errors. 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:

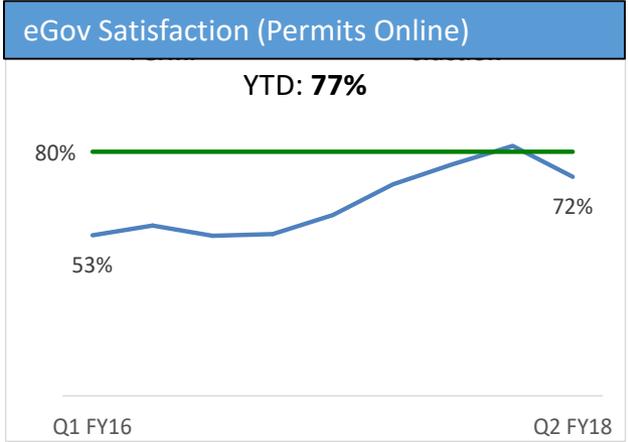
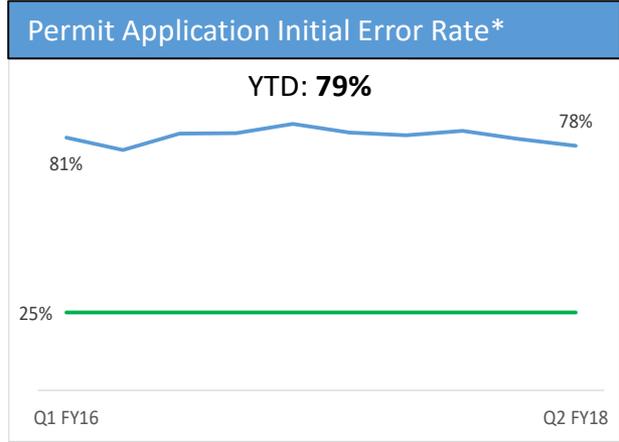
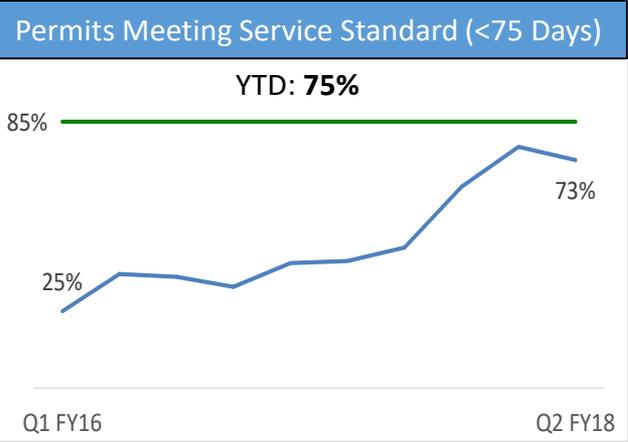
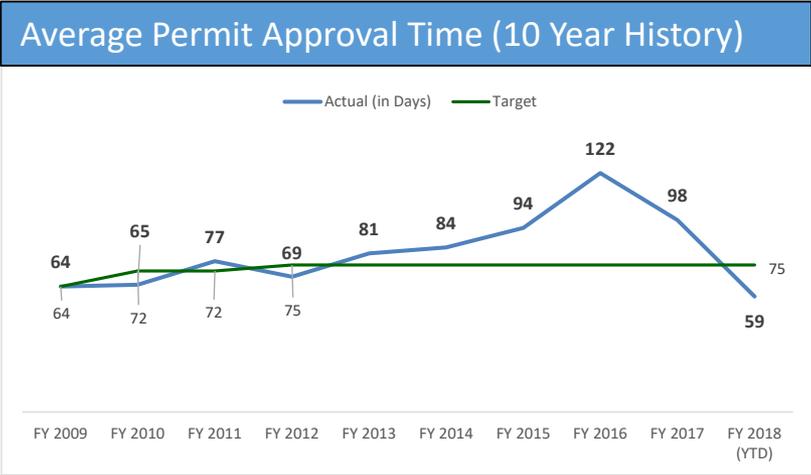
- As of Q2, TTB completed its first milestone, and initiated efforts on its first milestone for FY 2019:
  - Began drafting Permit Modernization rulemaking based on a recommendations from an internal review of permit application requirements, which was informed by RFI input from industry for reducing regulatory burden.
- TTB also made progress on several additional milestones:
  - Continued development and testing of Permits Online (PONL 5.0), with end-to-end system testing on track for completion by June 2018.
  - Made significant progress on 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.
  - Held kickoff in April 2018 for Lean Six Sigma review of permit processes, in conjunction with Treasury's Office of Strategic Planning and Performance Improvement. The team will convene in September for the review. In preparation, the TTB project lead is gathering key metrics and process documentation, and preparing process demonstrations, to prepare for the next phases of the project related to measuring and analyzing.

# 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; fixing and validating critical defects from earlier rounds of testing was completed in time to begin the next end-to-end system test in March 2018 as planned; still tracking toward the overall milestone delivery date
Publish updated guidance on TTB.gov to assist applicants with submitting an application (Enhance Permits Online)	Q4 FY 2018	On Track	System testing delays will adversely impact the resources available to develop industry guidance; if necessary, TTB will modify the guidance topics covered in the initial rollout, and release updates on a rolling basis
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 has begun 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: 4,517 (up 5% from YTD FY17)  
 E-Filing Rate: 87% (up 2% from FY17)



Actual Target

\*Revised in Q2 due to error in source data

# Data Accuracy and Reliability

## Measure 1: Average Approval Time for Permit Applications

<b>Definition</b>	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.							
<b>Type/Category</b>	Performance Measure/Outcome							
<b>Targets</b>	<b>FY18 Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>FY19 Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>
	75	75	75	75	75	75	75	75
<b>Desired Direction</b>	Down							
<b>Unit of Measure</b>	Days							
<b>Calculation Methodology</b>	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.							
<b>Data Source</b>	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.							
<b>Quality</b>	Reasonable for intended use							
<b>Frequency</b>	Quarterly							

# Data Accuracy and Reliability

## Measure 2: Percentage of Permit Applications Processed within Service Standards

<b>Definition</b>	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.							
<b>Type/Category</b>	Performance Measure (with target) – Outcome							
<b>Targets</b>	<b>FY18 Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>FY19 Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>
	85%	85%	85%	85%	85%	85%	85%	85%
<b>Desired Direction</b>	Up							
<b>Unit of Measure</b>	Percentage (%)							
<b>Calculation Methodology</b>	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.							
<b>Data Source</b>	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.							
<b>Quality</b>	Reasonable for intended use							
<b>Frequency</b>	Quarterly							

# Data Accuracy and Reliability

## Measure 3: Initial Application Error Rate for Permits

<b>Definition</b>	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.							
<b>Type/Category</b>	Performance Measure (with target) – Outcome							
<b>Targets</b>	<b>FY18 Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>FY19 Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>
	25%	25%	25%	25%	25%	25%	25%	25%
<b>Desired Direction</b>	Down							
<b>Unit of Measure</b>	Percentage (%)							
<b>Calculation Methodology</b>	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.							
<b>Data Source</b>	Permits Online (PONL Corrections Compliance Report)							
<b>Quality</b>	Reasonable for intended use							
<b>Frequency</b>	Quarterly							

# Data Accuracy and Reliability

## Measure 4: eGov System Satisfaction Rate (Permits Online)

<b>Definition</b>	<p>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.</p> <p>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.</p>							
<b>Type/Category</b>	Performance Measure (with target) – Customer Satisfaction							
<b>Targets</b>	<b>FY18 Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>FY19 Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>
	80%	80%	80%	80%	80%	80%	80%	80%
<b>Desired Direction</b>	Up							
<b>Unit of Measure</b>	Percentage (%)							
<b>Calculation Methodology</b>	<p>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.</p>							
<b>Data Source</b>	Permits Online Survey, administered via SurveyMonkey							
<b>Quality</b>	Reasonable for intended use							
<b>Frequency</b>	Monthly (Collection); Quarterly (Reporting)							

# Additional Information

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## Contributing Programs

### Organizations:

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

### Program Activities:

- 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:

- 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.