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
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.

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.

* TTB transitioned to a new data reporting platform in FY 2018; additional data validations are underway
Key Strategies
TTB plans to accomplish this goal through three primary strategies:

- **Streamline Permit Processes**
  - 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.

- **Modernize Permit Applications**
  - 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.

- **Enhance Permits Online**
  - 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.

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, 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.

- **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.

- **Funding and Staffing Levels**. Funding enacted 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 – Q1/Q2 FY 19

Q1/Q2 Progress:

- Progress toward these APG targets was significantly impacted by the 35-day lapse in appropriations in December 2018 – January 2019. After reducing average approval times from 96 days in FY 2017 to 61 days in FY 2018, far exceeding the 20% reduction targeted for this APG, times increased to 82 days as of Q2 FY 2019. Further, 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, the percent of applications processed within TTB’s 75-day service standard eroded from 71% at the end of FY 2018 to just 48% as of Q2 FY 2019.

- TTB expects that performance will continue to improve through FY 2019 based on several factors, including the enhancements introduced by the new Permits Online system, increased familiarity with the new system by both TTB staff and industry, continued process improvements, and implementation of the next phase of permit application revisions in Permits Online in releases planned for later this fiscal year.

- TTB continues to target high electronic filing rates to support timely processing, trending positively to 87% in Q2 FY 2019. TTB also tracks 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 this fiscal year, surveyed customers indicated higher levels of dissatisfaction with system performance, which trended negatively from 77% in FY 2018 to 65% as of Q2 FY 2019. TTB expects satisfaction to improve by the end of FY 2019 as TTB continues to make progress in timely processing.

- With the release of the new Permits Online system, and publication of extensive online guidance in FY 2018, TTB was able to bend the curve on the high volume of applications submitted with errors. 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). In Q2 FY 2019, the error rate on permit applications decreased to 64%, a reduction of nearly 15% since the end of FY 2018. 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:

- TTB made progress on several FY 2019 milestones:
  - Continued drafting 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.
  - Identified additional application updates to implement in advance of a final rule to simplify requirements by employing applicant attestations and reducing required documentation.
  - Based on the September 2018 Lean Six Sigma (LSS) review of permit processes, completed draft guidance materials and tools for TTB specialists to streamline and improve standardization in the internal permit processing procedures.
  - Began requirements documentation and acquisition process for vendor to support IT modernization efforts, incorporating input from the LSS review and other process improvement efforts, as well as permit application modernization plans.
<table>
<thead>
<tr>
<th>Key Milestone (associated strategy)</th>
<th>Milestone Due Date</th>
<th>Milestone Status</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Complete review and recommendations to streamline permit application requirements (Modernize Permit Applications)</td>
<td>Q2 FY 2018</td>
<td>Complete</td>
<td>Initial review completed and cross-checked against industry input collected through Treasury RFI on deregulatory proposals</td>
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<td>Release redesign of Permits Online (PONL 5.0) to address inefficiencies related to amending existing permits (Enhance Permits Online)</td>
<td>Q4 FY 2018</td>
<td>Complete</td>
<td>Deployed on July 31, 2018</td>
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<td>Publish updated guidance on TTB.gov to assist applicants with submitting an application (Enhance Permits Online)</td>
<td>Q4 FY 2018</td>
<td>Complete</td>
<td>TTB published all planned guidance items concurrent with the PONL 5.0 release</td>
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<td>Complete Lean Six Sigma (LSS) review of existing bottleneck(s) in permit processing (Streamline Permit Processes)</td>
<td>Q1 FY 2019</td>
<td>Complete</td>
<td>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</td>
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<td>Initiate rulemaking to modify or eliminate certain permit application requirements (Modernize Permit Applications)</td>
<td>Q1 FY 2019</td>
<td>On Track</td>
<td>Draft rulemaking in internal review to notice proposed changes to application requirements for first permit types, with target publication in FY 2020</td>
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<tr>
<td>Initiate requirements for IT development of custom permit system (Enhance Permits Online)</td>
<td>Q2 FY 2019</td>
<td>On Track</td>
<td>With enacted FY 2019 funding, initiated high-level requirements for phased system releases; targeting end-of-year to complete vendor acquisition for custom system development</td>
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<tr>
<td>Implement LSS recommendations for interim process improvements (Streamline Permit Processes)</td>
<td>Q3 FY 2019</td>
<td>On Track</td>
<td>Completed draft guidance materials/tools to improve and standardize internal processes; new tools in review with union and management prior to implementation</td>
</tr>
<tr>
<td>Initiate IT development of custom permit system (Enhance Permits Online)</td>
<td>Q4 FY 2019</td>
<td>Not Started</td>
<td>Initial development phase includes single sign-on functionality and internal workflow upgrades, with releases targeted for FY 2020; on a parallel path, by the end of FY 2019, TTB plans to deliver PONL releases based in part on revised permit application requirements that can be implemented in advance of a final rule</td>
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Key Indicators

PROGRAM STATS
Permit Applications Received: 3,714 (down 18% from FYTD 18)
E-Filing Rate: 87% (up 1% from FY18)

Average Permit Approval Time (10 Year History)*

Permits Meeting Service Standard (<75 Days)**
YTD: 48%

Permit Application Initial Error Rate
YTD: 68%

eGov Satisfaction (Permits Online)
YTD: 65%

*Historic data validated for FY 2017 – 2018; prior years require additional validation
**Minor corrections to FY 2018 data following system migration from PONL 4 to PONL 5 configuration (<2% variance each quarter)
### 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**

<table>
<thead>
<tr>
<th></th>
<th>FY18 Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
<th>FY19 Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
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**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
# 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**
<table>
<thead>
<tr>
<th></th>
<th>FY18 Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
<th>FY19 Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
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<tbody>
<tr>
<td></td>
<td>85%</td>
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</tr>
</tbody>
</table>

**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
## Measure 3: Initial Application Error Rate for Permits

<table>
<thead>
<tr>
<th>Definition</th>
<th>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.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Type/Category</td>
<td>Performance Measure (with target) – Outcome</td>
</tr>
<tr>
<td>Targets</td>
<td></td>
</tr>
<tr>
<td>FY18 Q1</td>
<td>FY19 Q1</td>
</tr>
<tr>
<td>25%</td>
<td>25%</td>
</tr>
<tr>
<td>Desired Direction</td>
<td>Down</td>
</tr>
<tr>
<td>Unit of Measure</td>
<td>Percentage (%)</td>
</tr>
<tr>
<td>Calculation Methodology</td>
<td>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.</td>
</tr>
<tr>
<td>Data Source</td>
<td>Permits Online (PONL Corrections Compliance Report)</td>
</tr>
<tr>
<td>Quality</td>
<td>Reasonable for intended use</td>
</tr>
<tr>
<td>Frequency</td>
<td>Quarterly</td>
</tr>
</tbody>
</table>
### Data Accuracy and Reliability

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

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