

MEMORANDUM

DATE: December 20, 2013 (Revised 01/13/14)
TO: Members of the LARA/DIFS Subcommittee
FROM: Paul Holland, Fiscal Analyst
RE: LARA Expenditures for and Utilization of the Michigan Business One Stop Website

Background

On September 25, 2007 the state released a report under the Government Performance Improvement Initiative entitled "Government & Business Processes: Opportunities for Improvement". The report was based on an investigation identifying government-business interactions viewed by Michigan business community as requiring improvement. The results of the investigation were consolidated and prioritized and the state launched the Michigan Business Services improvement initiative (MBSii) in order to "create streamlined government-business transactional processes". The MBSii is today colloquially known as the Michigan Business One Stop (MBOS) and consists of a website (michigan.gov/business) and call center (877-766-1779). DTMB¹ developed and implements the MBOS which is financially supported and utilized by various state departments.

The Project Charter, dated March 7, 2008, specified that the MBOS would address the streamlining of licensing and permitting processes, the establishment of a one stop shop for businesses, the improvement of communication between the state and businesses, and the enabling of cross agency collaborative thinking/sharing. Specifically, the MBOS would facilitate enhanced government-business relationships, more ease in performing normal transactions within the business life cycle, more effective operation for businesses with fewer delays, less complexity and more comfort for businesses operating in Michigan, and the freeing up of state resources by providing an effective business to government interface, a comprehensive and workflow-based view for businesses to aid their understanding of state processes and their timely and accurate completion of required information submissions, and a 24/7 environment capable of directing businesses to specific and appropriate assistance.

The remainder of this memorandum will describe the costs for the MBOS, the allocation of those costs to state departments, licenses and other regulatory products issued via the MBOS, findings of the Auditor General pertaining to the MBOS, and an anticipated request for additional MBOS spending authorization.

Itemization of MBOS Costs

MBOS costs consist of expenditures to support the development of the MBOS, operation of the telephone call center, software maintenance, server hosting, DTMB payroll, and miscellaneous support costs. Through FY 2012-13, a total of \$21.9 million has been expended for the MBOS, as illustrated by Figure 1, and an additional \$7.7 million in MBOS expenditures are estimated through FY 2014-15.

The development costs of the MBOS were capitalized as depreciation expenses between FY 2008-09 and FY 2014-15. As of FY 2012-13, \$8.5 million has been expended on depreciation expenses, which is 39.0% of total MBOS expenditures cumulative through FY 2012-13; additional expenditures of \$2.5 million for depreciated expenses are estimated through FY 2014-15.

¹ State department acronyms are defined in Appendix 1.

The operation of the call center, employing 5.5 FTEs during FY 2012-13, has cost \$4.0 million since the creation of the MBOS, equating 18.3% of total MBOS expenditures cumulative through FY 2012-13, and is estimated to cost an additional \$1.5 million through FY 2014-15.

An itemization of the total expenditures to support the MBOS through both FY 2012-13 and FY 2014-15(p) is exhibited in Appendix 2.

Allocation of MBOS Charges

FY 2007-08 costs of the MBOS totaled \$870,000 and were charged to six state departments (DARD, DEQ, LARA, DOS, MDOT, and Treasury) based upon the total FY 2007-08 appropriation for each state department.

Since FY 2008-09, DTMB has charged eight state departments (DARD, DCH through FY 11 when health regulatory programs were transferred to LARA, DEQ, DHS, LARA, DOS, MDOT, and Treasury) for the capitalized development costs (i.e. depreciation expenses) and ongoing operation expenditures (i.e. call center, software maintenance, server hosting, DTMB payroll, and support costs) based upon a 2009 estimate of the number of licenses, registrations, and permits that were anticipated to be issued via the MBOS.

Total annual charges for the MBOS increased year-over-year from FY 2007-08 to FY 2010-11 and have since remained relatively constant at approximately \$4.7 million. Of that amount, LARA contributed 64.5%, or approximately \$3.1 million annually. [Figure 2](#) illustrates annual DTMB charges to each state department for the MBOS.

Figure 1.

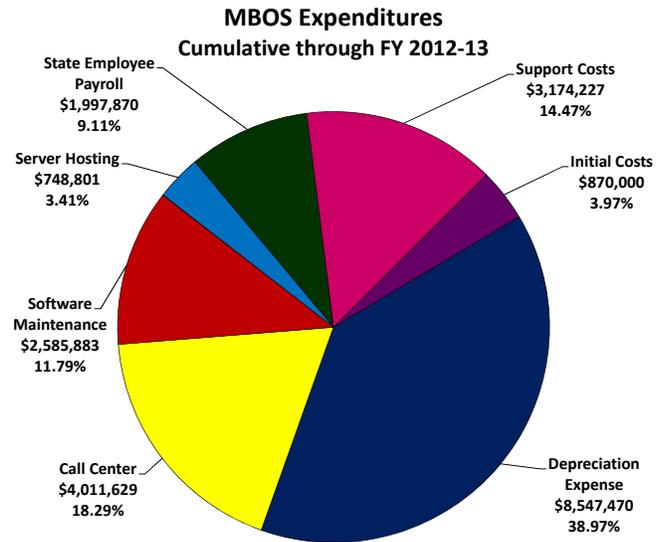
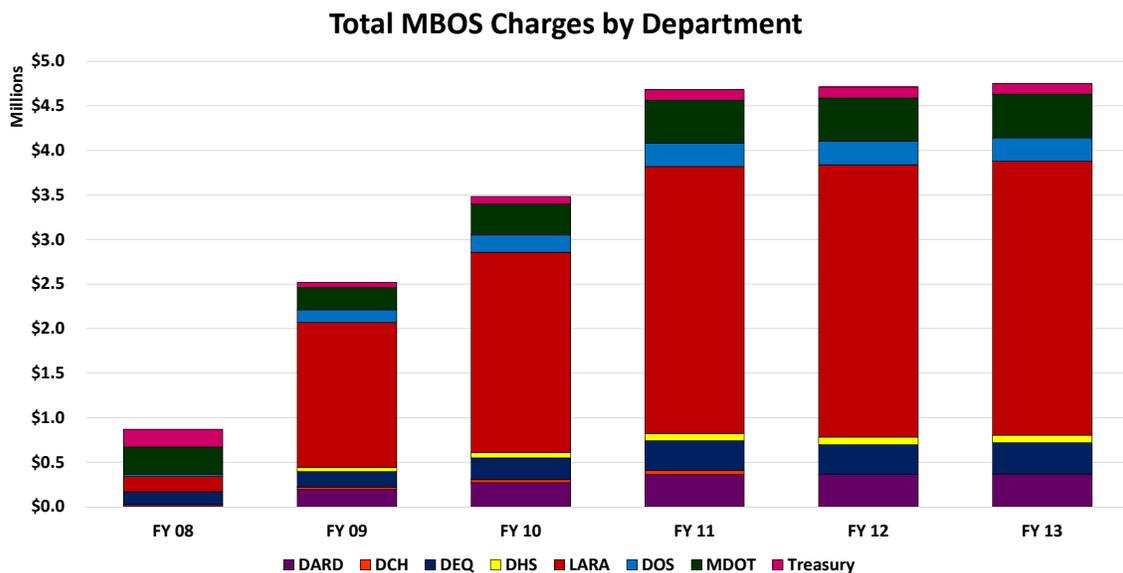


Figure 2.



Cumulatively since FY 2007-08, DTMB has charged LARA \$13.2 million for development and operation of the MBOS, or 62.6% of total MBOS costs, as illustrated by [Figure 3](#). Thus, LARA is the primary financial contributor to the MBOS based upon a 2009 estimate of the number of licenses, registrations, and permits that could be issued via the MBOS.

A comparison of LARA's incurred charges for MBOS with LARA's incurred charges for MiGov websites (that is, all webpages uniquely identified with agencies within LARA, typically under a LARA banner at the top of the page) demonstrates the relatively large cost of the MBOS. Annual charges to LARA for the MiGov website have increased \$181,329, or 30.3%, from \$599,504 in FY 2004-05 to \$780,833 in FY 2012-13. However, total website charges, including MBOS charges, have increased by 542.8% to \$3.9 million, \$3.1 million of which are for the MBOS, equating 79.8% of total LARA website charges. MBOS and MiGov charges to LARA are illustrated by [Figure 4](#).

Figure 3.

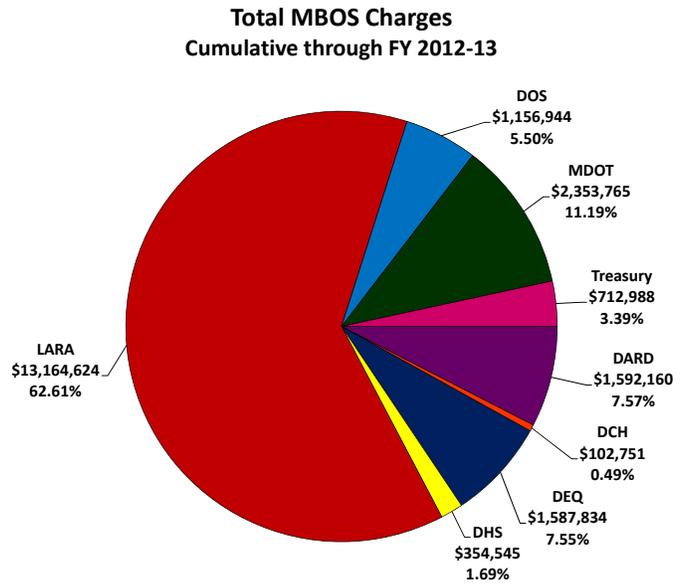
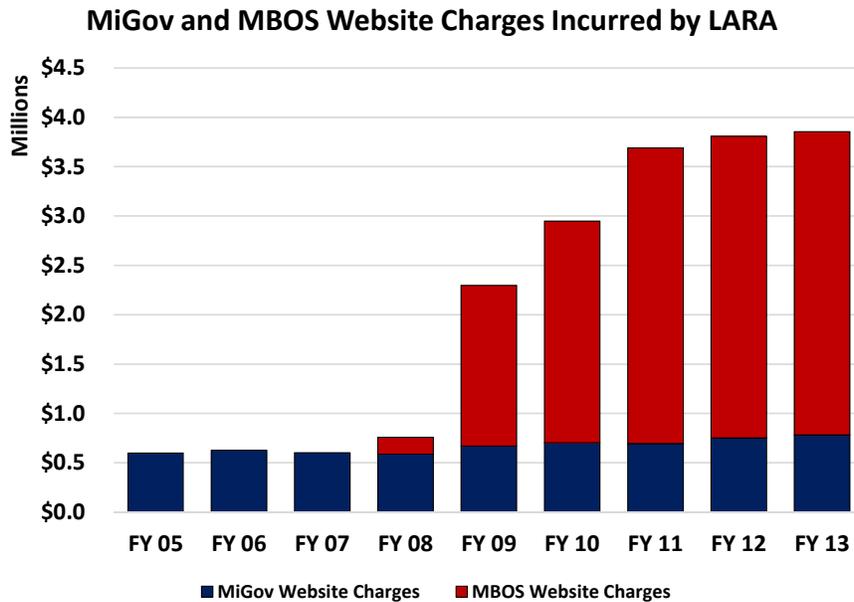


Figure 4.



[Figure 5](#) exhibits how the FY 2012-13 MBOS charges incurred by LARA were allocated among various agencies and divisions within LARA. 70.7% of LARA's FY 2012-13 MBOS charges were allocated to the Corporations Division within the Corporations, Securities, and Commercial Licensing Bureau (CSCLB), while 5.9% was allocated to the Licensing Division within the CSCLB, 8.4% was allocated to the Bureau of Construction Codes (BCC), and 6.8% was allocated to the Liquor Control Commission

(LCC). The remaining 8.3% of FY 2012-13 MBOS charges incurred by LARA were allocated among the Office of Financial and Insurance Regulation (OFIR, transferred into the Department of Insurance and Financial Services (DIFS) by E.O. 2012-1), the Unemployment Insurance Agency (UIA), and a nominal amount to the Health Facilities and Health Professions Divisions of the Bureau of Health Care Services (BHCS).

The allocation of MBOS charges and comparison of MBOS to MiGov website charges by state department through FY 2012-13 is exhibited in Appendix 3, while the allocation of MBOS charges incurred by LARA to LARA agencies is exhibited in Appendix 4.

Utilization of the MBOS

Currently and to varying extents, seven state departments (DARD, DEQ, DHS, LARA, DNR, MDOT, and Treasury) issue specific licenses, registrations, and permits (LRPs) via the MBOS. While the MBOS may also be utilized, with varying success, as a portal by means of hyperlinks to appropriate regulatory MiGov webpages, this analysis focuses on those LRP which can be issued solely via the MBOS without the applicant being directed to other MiGov webpages (that is, a “one stop shop”).

During FY 2012-13, 136,669 LRPs were issued via the MBOS, substantially similar to the number issued during FY 2011-12. Twenty-six, or 0.02%, of LRPs issued via the MBOS were under the statutory authority of LARA during FY 2012-13. The only LRPs under LARA’s authority available via the MBOS are those for boiler permits, electrical and plumbing contractors, certified public accounting firms, direct shippers of wine, and a few health care facilities and programs. Figure 6 illustrates the number of LRPs issued via the MBOS annually.

Figure 5.

LARA MBOS Charges by Agency/Division For FY 2012-13

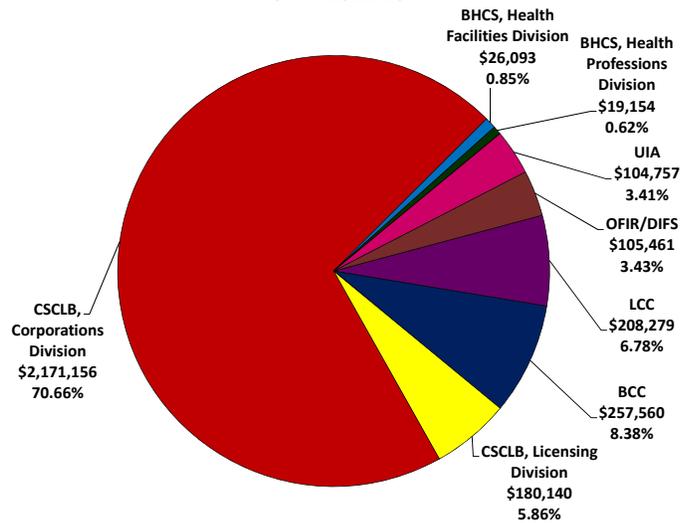
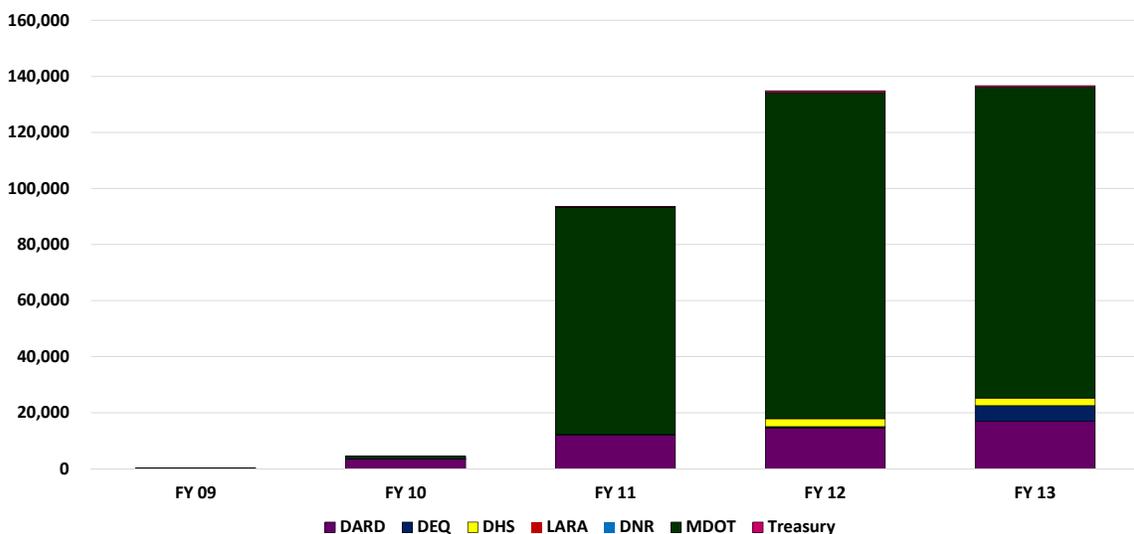


Figure 6.

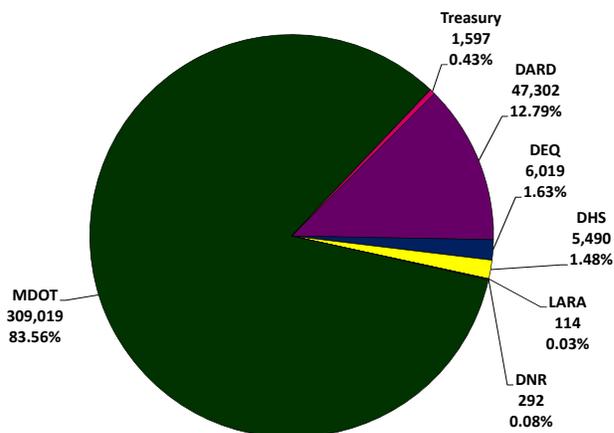
Licenses, Registrations, & Permits Issued via MBOS by Department



Cumulatively since FY 2008-09, 114 LRPs issued via the MBOS were under the authority of LARA, or 0.03% of total LRPs issued, as illustrated by Figure 7. Thus, LRPs issued via the MBOS under LARA's authority constitute the smallest proportion of LRPs issued under any state department utilizing the MBOS.

Figure 7.

Licenses, Registrations, & Permits Issued via MBOS Cumulative through FY 2012-13



As exemplified by a comparison of Figures 2 and 3 with Figures 6 and 7, the 2009 estimate of the number of LRPs that were anticipated to be issued via the MBOS on which the allocation of MBOS charges is based, does not correspond to the actual utilization of the MBOS by various state departments. While LARA has been charged, and has paid, for 62.6% of MBOS development and operation costs, 0.03% of LRPs issued via the MBOS were issued under LARA's authority. If

charges to LARA were strictly proportional to the number of LRP's issued via the MBOS, LARA's charges would have totaled \$6,481, rather than \$13.2 million, cumulative through FY 2012-13. Conversely, rather than the cumulative \$1.6 million and \$2.9 million actually charged to DARD and MDOT respectively, if proportional to LRPs issued via that MBOS, DARD and MDOT charges would have totaled \$2.7 million and \$17.6 million, respectively, cumulative through FY 2012-13.

Dividing MBOS cumulative charges through FY 2012-13 by the cumulative number of LRPs issued via the MBOS under the authority of each state department, results in an average cost per LRP issued via the MBOS of \$34 for DARD, \$264 for DEQ, \$65 for DHS, \$115,479 for LARA, \$0 for DNR (which is not charged for the MBOS), \$8 for MDOT, and \$446 for Treasury. No LRPs have been issued via the MBOS under DOS' authority, although DTMB has charged DOS a cumulative \$1.2 million.

The utilization of the MBOS as measured by the issuance of LRPs via the MBOS by state department through FY 2012-13 and the average cost per LRP issued via the MBOS is exhibited in Appendix 5.

Auditor General Findings

In December 2013, the Auditor General issued a performance audit of the MBOS which concluded that "state departments' efforts to establish an effective project management process over MBOS were not effective."² The report noted the following material conditions, which could impair the effective and efficient operation of the MBOS and/or adversely affect the judgment of interested persons pertaining to the effectiveness and efficiency of the MBOS:

- State departments have not developed a strategic plan for the continued development and use of MBOS and, without such a plan, the departments cannot ensure that further development and use of MBOS is cost beneficial and meets the needs of the departments and their customers. Most state departments do not use the MBOS to process most of their licenses, registrations, and permits and do not fully support further integration of their licensing and permitting processes into the MBOS. Specifically, LARA is developing new licensing and permitting systems and is not certain whether the new systems should be integrated with the MBOS, questioning whether such integration would

² The Auditor General MBOS performance audit can be accessed at: http://audgen.michigan.gov/finalpdfs/13_14/r071052513.pdf

provide value to its customers. Integration has not been implemented because of the complexity of licensing and permitting processes and because the departments' processes, outside of the MBOS, were perceived as being simpler for customers to navigate.

- State departments have not conducted a post implementation review of MBOS and, as a result, have not identified which MBOS goals and objectives have been achieved nor developed an action plan for achieving goals and objectives. The Auditor General determined that the MBOS has not fully achieved the objectives of creating a one-stop shop for doing business in Michigan, capturing pertinent data with the ability to route it to multiple departments, providing the ability to file application forms and pay fees online. Additionally, state departments have not systematically evaluated whether the MBOS increased efficiency in processing licenses and permits, increased accessibility to business information, and reducing technical support costs; although departments indicated that they have not fully realized these benefits.
- State departments have not established an effective governance structure for MBOS and, as a result, the goals and objectives of the MBOS have not been fully achieved. State departments have not assigned responsibility for defining MBOS objectives and ensuring their achievement; interviews with the departments disclosed that in the absence of assigned responsibility, they were uncertain of future goals and objectives of the MBOS and how to achieve them. Additionally, state departments did not reevaluate or adjust the initial 2009 methodology for allocating/recovering MBOS costs, thus departments cannot ensure that that MBOS costs are allocated/recovered in a fair and equitable manner based on extent which departments are actually using the MBOS.

In addition, the performance audit report found the following reportable condition, which is an opportunity for improvement and/or a deficiency in internal control of the MBOS:

- State departments have not implemented a process to periodically review and update MBOS online content and, as a result, license and permit information provided through the MBOS is outdated and inaccurate. State departments do not have a process to ensure that updates are properly identified and communicated to DTMB. Thus state departments have not ensured that license and permits applications are up-to-date and accurate, the validity of links in the MBOS, nor the completeness and accuracy of tasks assigned in the MBOS.

FY 2014-15 Investment Request

A briefing, dated October 24, 2013, obtained from DTMB describes an investment request for FY 2014-15 that would enable DTMB to rewrite the user interface of the MBOS, making basic improvements to MBOS functionality, making the MBOS more customer centric, incorporating processes which update information, furthering integration with existing systems, enabling better search and navigation, streamlining renewal capabilities, modifying simulator processes, and creating a mobile app.

DTMB is requesting \$1.5 million with which it will hire a team of business analysts, system testers, and developers to collect pertinent information from state departments and develop, implement, and test various technical requirements for the MBOS. The briefing acknowledges that the intent of the MBOS was to streamline the way in which business interact with the state, but contends that the MBOS must be enhanced, developed, and further streamlined in order to provide a consistent and intuitive user experience through the improvement of functionality and the integration of licensing and permitting information into the MBOS, while integrating the MBOS and other state websites into a common interface.

Appendix 1.

Definition of State Department Acronyms	
Acronym	Definition
DARD	Department of Agriculture and Rural Development
DCH	Department of Community Health
DEQ	Department of Environmental Quality
DHS	Department of Human Services
LARA	Department of Licensing and Regulatory Services
DNR	Department of Natural Resources
DOS	Department of State
DTMB	Department of Technology, Management, and Budget
MDOT	Department of Transportation
Treasury	Department of Treasury, incl. Lottery and Gaming Control

Appendix 2.

MBOS Cost Analysis										
	FY 08	FY 09	FY 10	FY 11	FY 12	FY 13	FY 14(p)	FY 15(p)	Cum. to FY 13	Cum. to FY 15(p)
Initial Costs	\$870,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$870,000	\$870,000
Depreciation Expense	\$0	\$725,760	\$1,305,623	\$2,023,388	\$2,250,517	\$2,242,182	\$1,579,023	\$871,640	\$8,547,470	\$10,998,133
Call Center	\$0	\$700,619	\$804,875	\$1,036,076	\$756,790	\$713,269	\$755,926	\$771,044	\$4,011,629	\$5,538,599
Software Maintenance	\$0	\$286,419	\$303,861	\$645,867	\$665,766	\$683,970	\$176,904	\$183,980	\$2,585,883	\$2,946,767
Server Hosting	\$0	\$181,164	\$154,140	\$150,332	\$127,122	\$136,043	\$79,330	\$79,330	\$748,801	\$907,461
State Employee Payroll	\$0	\$403,028	\$557,399	\$486,165	\$205,148	\$346,130	\$376,005	\$383,525	\$1,997,870	\$2,757,400
Support Costs	\$0	\$249,524	\$99,489	\$521,527	\$842,055	\$1,461,632	\$1,219,133	\$1,219,380	\$3,174,227	\$5,612,740
Total	\$870,000	\$2,546,514	\$3,225,387	\$4,863,355	\$4,847,398	\$5,583,226	\$4,186,321	\$3,508,899	\$21,935,880	\$29,631,100

SOURCE: Raw data provided by DTMB via email with HFA during November and December, 2013.

Appendix 3.

MiGov and MBOS Website Charges by Department										
	FY 05	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11	FY 12	FY 13	Cumulative
DARD										
MBOS Website Charges	\$0	\$0	\$0	\$30,000	\$196,591	\$271,468	\$362,700	\$364,700	\$366,700	\$1,592,160
MiGov Website Charges	\$132,974	\$124,455	\$124,355	\$118,640	\$113,598	\$102,839	\$94,116	\$66,972	\$67,638	\$945,587
Total Website Charges	\$132,974	\$124,455	\$124,355	\$148,640	\$310,190	\$374,307	\$456,816	\$431,672	\$434,338	\$2,537,746
MBOS as a % of Total Website	0.0%	0.0%	0.0%	20.2%	63.4%	72.5%	79.4%	84.5%	84.4%	62.7%
DCH										
MBOS Website Charges	\$0	\$0	\$0	\$0	\$24,393	\$33,658	\$44,700	\$0	\$0	\$102,751
MiGov Website Charges	\$161,107	\$177,914	\$215,348	\$228,592	\$221,328	\$234,536	\$230,040	\$208,464	\$215,521	\$1,892,849
Total Website Charges	\$161,107	\$177,914	\$215,348	\$228,592	\$245,721	\$268,194	\$274,740	\$208,464	\$215,521	\$1,995,600
MBOS as a % of Total Website	0.0%	0.0%	0.0%	0.0%	9.9%	12.5%	16.3%	0.0%	0.0%	5.1%
DEQ										
MBOS Website Charges	\$0	\$0	\$0	\$140,000	\$176,652	\$244,722	\$334,400	\$336,300	\$355,760	\$1,587,834
MiGov Website Charges	\$180,998	\$178,234	\$179,184	\$169,043	\$165,287	\$158,990	\$159,958	\$141,824	\$131,998	\$1,465,516
Total Website Charges	\$180,998	\$178,234	\$179,184	\$309,043	\$341,939	\$403,712	\$494,358	\$478,124	\$487,758	\$3,053,350
MBOS as a % of Total Website	0.0%	0.0%	0.0%	45.3%	51.7%	60.6%	67.6%	70.3%	72.9%	52.0%
DHS										
MBOS Website Charges	\$0	\$0	\$0	\$0	\$44,812	\$61,833	\$82,200	\$82,600	\$83,100	\$354,545
MiGov Website Charges	\$198,885	\$201,330	\$221,834	\$226,979	\$191,574	\$203,048	\$244,566	\$237,178	\$246,773	\$1,972,167
Total Website Charges	\$198,885	\$201,330	\$221,834	\$226,979	\$236,386	\$264,881	\$326,766	\$319,778	\$329,873	\$2,326,712
MBOS as a % of Total Website	0.0%	0.0%	0.0%	0.0%	19.0%	23.3%	25.2%	25.8%	25.2%	15.2%
LARA										
MBOS Website Charges	\$0	\$0	\$0	\$170,000	\$1,626,363	\$2,245,260	\$2,994,600	\$3,055,800	\$3,072,600	\$13,164,624
MiGov Website Charges	\$599,504	\$624,936	\$601,871	\$588,744	\$669,981	\$704,129	\$695,290	\$752,721	\$780,833	\$6,018,010
Total Website Charges	\$599,504	\$624,936	\$601,871	\$758,744	\$2,296,344	\$2,949,389	\$3,689,890	\$3,808,521	\$3,853,433	\$19,182,634
MBOS as a % of Total Website	0.0%	0.0%	0.0%	22.4%	70.8%	76.1%	81.2%	80.2%	79.7%	68.6%
DOS										
MBOS Website Charges	\$0	\$0	\$0	\$30,000	\$141,581	\$195,564	\$261,800	\$263,300	\$264,700	\$1,156,944
MiGov Website Charges	\$188,846	\$200,346	\$214,255	\$239,031	\$235,787	\$253,224	\$291,208	\$278,610	\$281,653	\$2,182,960
Total Website Charges	\$188,846	\$200,346	\$214,255	\$269,031	\$377,367	\$448,788	\$553,008	\$541,910	\$546,353	\$3,339,904
MBOS as a % of Total Website	0.0%	0.0%	0.0%	11.2%	37.5%	43.6%	47.3%	48.6%	48.4%	34.6%
MDOT										
MBOS Website Charges	\$0	\$0	\$0	\$300,000	\$250,681	\$347,984	\$482,100	\$485,000	\$488,000	\$2,353,765
MiGov Website Charges	\$346,288	\$352,194	\$356,214	\$344,349	\$283,386	\$269,412	\$302,081	\$322,068	\$364,038	\$2,940,031
Total Website Charges	\$346,288	\$352,194	\$356,214	\$644,349	\$534,067	\$617,395	\$784,181	\$807,069	\$852,038	\$5,293,796
MBOS as a % of Total Website	0.0%	0.0%	0.0%	46.6%	46.9%	56.4%	61.5%	60.1%	57.3%	44.5%
Treasury										
MBOS Website Charges	\$0	\$0	\$0	\$200,000	\$59,754	\$83,634	\$122,300	\$123,200	\$124,100	\$712,988
MiGov Website Charges	\$819,285	\$912,378	\$1,045,786	\$1,108,538	\$1,211,835	\$1,248,720	\$1,336,230	\$1,379,941	\$1,284,000	\$10,346,714
Total Website Charges	\$819,285	\$912,378	\$1,045,786	\$1,308,538	\$1,271,589	\$1,332,354	\$1,458,530	\$1,503,141	\$1,408,100	\$11,059,703
MBOS as a % of Total Website	0.0%	0.0%	0.0%	15.3%	4.7%	6.3%	8.4%	8.2%	8.8%	6.4%
All Depts Charged for MBOS										
MBOS Website Charges	\$0	\$0	\$0	\$870,000	\$2,520,827	\$3,484,123	\$4,684,800	\$4,710,900	\$4,754,960	\$21,025,610
MiGov Website Charges	\$2,627,887	\$2,771,787	\$2,958,847	\$3,023,916	\$3,092,776	\$3,174,898	\$3,353,489	\$3,387,779	\$3,372,455	\$27,763,835
Total Website Charges	\$2,627,887	\$2,771,787	\$2,958,847	\$3,893,916	\$5,613,604	\$6,659,021	\$8,038,289	\$8,098,679	\$8,127,415	\$48,789,445
MBOS as a % of Total Website	0.0%	0.0%	0.0%	22.3%	44.9%	52.3%	58.3%	58.2%	58.5%	43.1%
LARA MBOS Charges as a % of Total MBOS Charges				19.5%	64.5%	64.4%	63.9%	64.9%	64.6%	62.6%

SOURCE: Raw data provided by DTMB via email with HFA during November and December, 2013.

Appendix 4.

LARA FY 13 MBOS Charges by Agency/Division	
Agency/Division	FY 13
LCC	\$208,279
BCC	\$257,560
CSCLB, Licensing Division	\$180,140
CSCLB, Corporations Division	\$2,171,156
BHCS, Health Facilities Division	\$26,093
BHCS, Health Professions Division	\$19,154
UIA	\$104,757
OFIR/DIFS	\$105,461
Total	\$3,072,600

SOURCE: Raw data provided by DTMB via email with HFA during November and December, 2013.

Appendix 5.

Number of Licenses, Registrations, and Permits (LRPs) Issued via MBOS by Department								
Type of LRP Offered	FY 09	FY 10	FY 11	FY 12	FY 13	Cumulative	Cum.	Charges/ Cum. LPRs
DARD	188	3,461	12,131	14,617	16,905	47,302		\$34
DEQ	0	5	11	375	5,628	6,019		\$264
DHS	0	0	0	2,829	2,661	5,490		\$65
LARA	0	9	24	55	26	114		\$115,479
DNR	0	82	124	47	39	292		\$0
MDOT	4	903	80,997	116,247	110,868	309,019		\$8
Treasury	0	0	376	679	542	1,597		\$446
Total	192	4,460	93,663	134,849	136,669	369,833		\$57
LARA LRPs as a % of Total LRPs	0.00%	0.20%	0.03%	0.04%	0.02%	0.03%		

SOURCE: Raw data provided by DTMB via email with HFA during November and December, 2013.