

*Status Report on the
TexasOnline Common
Occupational Licensing System*



TexasOnline Authority

AUSTIN, TEXAS | JANUARY 1, 2003

Mission Statement

*TexasOnline, a knowledge gateway,
is the preferred single point of access
to government and public information
and services that is private, secure,
convenient, efficient, service-oriented,
and accessible to everyone.*

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Executive Summary

In 2001, the 77th Texas Legislature passed two significant pieces of legislation regarding occupational licenses. Senate Bill 645 established a common Internet occupational licensing system through TexasOnline and named 23 specific occupational licensing agencies to participate in this common system. Senate Bill 187 further required that a subscription fee be charged to pay for the costs of developing and maintaining this common system.

Until the passage of Senate Bill (SB) 187, state agencies typically charged a convenience fee to Internet users choosing to use their services via TexasOnline. The new legislation required that TexasOnline charge a subscription fee to the occupational licensing agencies. The agencies were appropriated this expense by a statutory increase in their license renewal fees. One positive aspect of the subscription fee model is that all license holders within a specific license type are charged this fee. Unlike the convenience fee model, the subscription fee model treats the Internet channel of government service delivery as an equal avenue of providing services—users of the Internet are not charged a separate fee to use a service. The Internet channel of government service delivery is the cheapest method of providing government services, with walk-in service traditionally being the most expensive. The foresight of the Legislature when passing this model will benefit the state with cost savings and efficiency gains as adoption rates for these online licensees increase.

Currently, 38 license renewals are available through TexasOnline. By January 2003, TexasOnline will have a total of 48 license renewals from these 23 agencies. Other agencies with occupational licenses have expressed an interest in using the common system as well.

Key Lessons Learned

Through the course of this project, the 23 occupational licensing agencies have worked with the TexasOnline Authority and TexasOnline staff to ensure that their license renewal implementations were successful. While the project has been a success, it was not without issues to overcome. The issues raised throughout the project are addressed in detail in the body of this report. Some of the key lessons learned include:

- Smaller agencies lack technical resources to assist with implementation issues.
- Many agencies do not have adequate security measures in place, nor the staff with the technical expertise to purchase, install or maintain security equipment.
- In some cases, the approved subscription fees do not cover all of the expenses of going online.
- The Appropriations Rider cap limits the number of occupational licenses that can be implemented during this biennium.

Key Recommendations

Throughout the project, the TexasOnline team worked together with the agencies to address and resolve many of the issues that were in the project's control. There are some issues that require agencies to re-engineer their business processes and still others that need legislative action. The following are the key recommendations that the TexasOnline Authority presents in this report:

- The subscription fee model established in the 77th Legislative Session should be expanded for other uses to eliminate, where feasible, a separate convenience fee for Internet users. Other examples where subscription fees can be used are for facility licensing and original licensing.
- Raise or eliminate the expenditure cap in the 2001 General Appropriations Act, so that TexasOnline can accelerate the timeline in bringing additional occupational licenses online.
- Require agencies to include marketing materials with renewal notices and in other forms of communications with their constituencies in order to inform customers about the online renewal process.
- Educate agencies about the benefits and cost savings that result from moving their services online.
- Encourage agencies to re-engineer their processes for receiving supporting documentation and signatures.

The TexasOnline Authority looks forward to expanding this project in its continued efforts to bring online government services to the citizens and businesses of Texas.

Background

This chapter discusses the legislation creating the Internet-based common occupational licensing and profile systems, and the history surrounding how the projects were planned and implemented.

Legislative Requirements

The 77th Legislature enacted two significant pieces of legislation, Senate Bill 187 and Senate Bill 645,* regarding occupational licensing agencies. Although the two laws have some similar requirements, two separate Internet-based projects were created—a common occupational licensing system and a profile system. This report has been drafted in accordance with this legislation and meets the requirement that by January 1, 2003, the TexasOnline Authority† (Authority) shall report to the presiding officer of each house of the legislature and to the presiding officers of the committees of each house of the legislature that have primary jurisdiction over the licensing entities, on the Authority’s progress in implementing the requirements set out in the occupational licensing legislation.

The two Internet-based licensing projects created by the 77th Legislature—the common occupational licensing system project and the profile system project—are discussed in detail in the next two sections of this chapter.

Common Occupational Licensing System

The common occupational licensing system project took almost 50 disparate licenses and created a common approach to online renewal. In order to make this project successful, it required a dedicated funding stream such as a subscription fee. There

were many issues to overcome during this project, and they will be discussed in detail later in this report. The model developed for this project can become a model for future projects of this type, such as facility licensing and permitting.

The occupational licensing legislation defines the basic requirements for the occupational licensing system and specifies which agencies are required to participate. Although the two laws have similar requirements with respect to this system, SB 645 is more commonly referred to as the “Occupational Licensing Legislation,” whereas SB 187 deals with establishing the Authority and the TexasOnline project as a whole. Below is a summary of the requirements set forth in SB 187 and SB 645 with regard to the common occupational licensing system.

Senate Bill 187

SB 187 requires the Authority to implement a common electronic infrastructure through which state agencies and local governments, including licensing entities, may conduct business via the Internet. Requirements include:

- Sending and receiving required documents and payments;
- Receiving applications for original and renewal licenses and permits;
- Sending original and renewal occupational licenses;
- Sending profiles of occupational license holders;
- Storing information; and
- Providing and receiving other services to and from agencies and local governments and the public.

SB 187 permits the Authority to implement the common occupational licensing system project in phases.

* For the full text of Senate Bill 187, see Appendix A. For the full text of Senate Bill 645, see Appendix B.

† For a list of TexasOnline Authority members, see Appendix C.

The legislation also states the requirements for the funding of this project—subscription fees. Unlike the more typical convenience fees Internet users pay when using TexasOnline to complete a transaction, a subscription fee is charged to the entire applicable population. The legislation requires the Authority to charge a fee to any occupational licensing agency in an amount sufficient to cover the costs of implementing these system requirements. The fee must be a subscription fee. Each occupational licensing agency is also required to increase its occupational license renewal fees by an amount sufficient to cover the costs of the project in an amount not to exceed \$5 for an occupational license renewed annually or \$10 for an occupational license renewed biennially.

The legislation further required that, by April 1, 2002, the Authority had to adopt a schedule for implementing the licensing requirements. The schedule had to allow the initial group of licensing entities to perform the required functions by September 1, 2002. These requirements were met.

SB 187 does not require occupational licensing agencies to use TexasOnline, but it does require any occupational licensing agency that chooses to use TexasOnline to charge a subscription fee.

There is also a Contingency Appropriations Rider for SB 187.* The rider states that the TexasOnline Authority is appropriated the increase in subscription fees from the licensing entities for payment of the costs of implementing electronic services for licensing entities in an amount not to exceed \$1.225 million in fiscal 2002 and an amount not to exceed \$1.907 million in fiscal 2003.

Senate Bill 645

SB 645 deals solely with 23 specific agencies that administer occupational licenses. SB 645 requires the Department of Information Resources (DIR) to administer a common electronic system using the Internet through which these licensing entity can electronically:

- Send occupational licenses and other documents;
- Receive applications for occupational licenses and other documents; and
- Receive required payments.

The legislation allows DIR to implement this project in phases. DIR shall charge fees in an amount sufficient to cover the cost of implementing the system. Fees can be in the form of transaction fees or subscription fees.

The 23 specific agencies required to participate maintain more than 70 different license types. The legislation requires the creation of a steering committee with representatives from each of the agencies and from DIR. The steering committee was formed in September 2001 and its role will be discussed in a subsequent section of this chapter.

This legislation forms the basis for the common occupational licensing project. The TexasOnline team worked with the 23 agencies listed in the legislation in developing the system design, the implementation schedule, and the subscription fees. The TexasOnline team worked very closely with the agencies on every step of this project.

Profile System

SB 187 further requires seven specific occupational licensing agencies to establish a profile system consisting of certain license holder information.

Agencies required to participate are:

- The Texas Board of Chiropractic Examiners, with respect to chiropractors;
- The Texas State Board of Podiatric Medical Examiners, with respect to podiatrists;
- The State Board of Dental Examiners, with respect to dentists;
- The Texas Optometry Board, with respect to optometrists and therapeutic optometrists;

* General Appropriations Act, 77th Leg., R.S., art. IX, § 10.40, Tex. Gen. Laws IX-93.

- The Texas Board of Physical Therapy and Occupational Therapy Examiners, with respect to physical therapists, physical therapy facilities, occupational therapists, and occupational therapy facilities;
- The Texas State Board of Examiners of Psychologists, with respect to psychologists; and
- The Texas State Board of Pharmacy, with respect to pharmacists and pharmacies.

The minimum requirements of the profile system are:

- The name of the license holder and the address and telephone number of the license holder's primary practice location;
- Whether the license holder's patient, client, user, customer, or consumer service areas, as applicable, are accessible to disabled persons, as defined by federal law;
- The type of language translating services, including translating services for a person with impairment of hearing, that the license holder provides for patients, clients, users, customers, or consumers, as applicable;
- If applicable, insurance information, including whether the license holder participates in the state child health plan under Chapter 62, Health and Safety Code, or the Medicaid program;
- The education and training received by the license holder, as required by the licensing entity;
- Any specialty certification held by the license holder;
- The number of years the person has practiced as a license holder; and
- The hospital affiliation, if any, of the license holder.

SB 645 required the Authority to propose rules to the DIR Board for adoption for the profile system:

- The Authority must prepare rules for the adoption by the DIR Board to prescribe the amount of the fee to be collected by a state agency that established a profile system for its license holders.
- The Authority must prepare additional rules as necessary to assist in the funding and

administration of the profile system established by state agencies, including rules prescribing policies for vendor contracts relating to the collection and entry of profile data.

Legislation required the Authority to prescribe the amount of the fee not later than January 1, 2002.

Agencies establishing the profile system were to begin collecting the fee on January 1, 2002.

Legislation requires that the profile systems must be made available to the public by January 1, 2005.

Anticipated Project Benefits

Internet-based services typically provide benefits to their providers and their recipients. As seen from other projects on TexasOnline, it is anticipated that a number of benefits to the state and citizens will be achieved by placing occupational license renewals on TexasOnline.

Anticipated Benefits to the State

- Less paperwork for agencies;
- Faster processing time of the renewal fees so that fees are deposited directly into USAS and do not require any manual processing;
- Streamlined renewal process for agency staff;
- Reallocation of staff to more core-based activities within the agency; and
- Cost savings for developing an Internet-based common occupational licensing system.

It was decided early on that a common occupational licensing system would be beneficial to the state and to agencies for several reasons. A common system should allow cost savings to the state and to TexasOnline by providing economies of scale through cost reductions in the development process. By developing one standard application that all of the occupational licensing agencies must use, fewer dollars have to be expended customizing a unique Internet application for each agency. Through the

initial process, the TexasOnline team was able to identify several information needs common to all of the agencies, specifically: name, address, contact information, and the ability to record continuing and prior educational experience. These common data elements were incorporated into the standard application so that each agency could capture the essential information required from the user in the same way. In doing so, the state was able to save the money that would otherwise be used towards designing online applications specific to each agency.

Now, with this common occupational licensing system available, TexasOnline can develop other occupational license renewals for the average cost of \$15,191. Additional annual operations and infrastructure costs of \$7,310 and annual credit card and electronic transaction costs of \$5,920 would also be incurred for any future occupational license renewals wanting to come on TexasOnline. By using this common occupational licensing system, the state should be able to save money to bring other occupational license renewals online since many of the infrastructure costs are already sunk, and each agency would not have to incur the same expenses.

Anticipated Benefits to the Citizen

- Faster turnaround time for a license holder to receive a renewed license;
- The option for the license holder to pay for the license renewal with a credit card;
- Time savings for the license holder to not have to get a money order and/or to not have to visit the state office; and
- Convenience of renewing the license anytime and not having to fill out paperwork.

Case Study

The TexasOnline staff is currently finalizing a benchmarking methodology that compares the cost per transaction for a service before going online to that after going online. During the pilot phase of this project, the Texas Funeral Service Commission and the Texas State Board of Pharmacy volunteered to

become part of the pilot. To date these two agencies have completed an analysis of their pre-online costs. After implementation of their renewals, they will partake in the post-implementation analysis.

There have been benefits identified from other agencies participating in the benchmarking pilot. There were several key benefits realized by agencies as a result of placing applications and services on TexasOnline. All of the pilot agencies found significant improvements in service delivery to citizens and businesses. For the majority of the pilot applications, the implementation of the online channel has greatly reduced the average processing time or “hands-on time” in the agencies. Because fewer mistakes are made in online application forms, processing and turnaround of the applications is faster. Staff does not have to spend time processing information since the user inputs all relevant information and the online system automatically processes it. Some agencies have seen marked improvements in internal processes, which will eventually translate into cost savings for the agencies.

The implementation of an online service delivery channel has also resulted in faster turnaround times for citizens and the agencies. This means that a citizen who accessed the online version of an agency’s service would receive the information or license renewal faster than by using traditional service channels. The customer also has the convenience of transacting with the government 24 hours a day, seven days a week, 365 days a year, from any location through a secure channel.

The Texas Department of Insurance (TDI) participated in this pilot with its online Agent License renewal. TDI has seen a reduction in costs associated with its license renewal. On average the cost per transaction for the online renewal is 25% less than for the traditional renewal process. The agency has also seen a decrease in exceptions or the number of mistakes on applications that staff must correct. TDI has reported that the overall number of exceptions that the agency has had to correct has decreased from 11% to 3%. Moreover, while the

online license renewal has yielded benefits to the agency, the service provides the greatest benefit to the citizen. Users now have the option of renewing their licenses 24 hours a day, 7 days a week, instead of the 8 to 5 on Monday through Friday times for the manual renewal. Citizens can also pay for licenses online with a credit card through TexasOnline's secure payment system. Applicants no longer have to mail their applications days before the deadline for the agency to receive it. License holders can wait longer to renew their licenses as a result of the online service because transmission of the application is immediate.*

To help identify and quantify the benefits of online service for this licensing project, additional agencies should consider benchmarking their services.

Survey of Agency License Information

Beginning in July 2001, the TexasOnline staff surveyed by letter the 23 occupational licensing agencies named in SB 645, asking that they provide a complete list of all licenses and renewals that they administer, license populations, license fees, and a variety of other related information. The information gathered served as the basis for determining the potential scope of the project. The letter also asked that each agency appoint a member to serve on the legislatively required steering committee. Agencies responded with a wealth of information that became part of the implementation schedule and subscription fee model.

Steering Committee

The licensing steering committee convened in September 2001 and served as an advisor to the TexasOnline staff on the project. It played an integral role in the development of the whole project

by assisting the TexasOnline team in understanding each agency's licensing requirements, rules, fees, and all related aspects of agency operations. The committee met regularly and was vital in helping develop a draft implementation schedule, subscription fee list, and a conceptual model for the common occupational licensing system. A final draft of the implementation schedule and subscription fee list was distributed to the committee for review and comment in December 2001, prior to being sent to the Authority for approval. The Authority approved the profile subscription fees at its January 2002 meeting and approved the implementation schedule and subscription fee list for the occupational license renewals at its February 2002 meeting.

Development of Implementation Schedule and Subscription Fees

Implementation Schedule Development

When drafting the implementation schedule for the 70-plus licenses, several factors were considered, including the license population for each license, the total license population for the agency, the Contingency Appropriations Rider, licenses already approved to go on TexasOnline, the agency's desire to be placed online early or later in the process, the likelihood of a particular license holder population being Internet users, and the amount and types of supporting documentation required to be submitted with a license renewal application. By using license population size as a key factor in determining the schedule, the common occupational licensing system reaches more citizens in a shorter amount of time, thus yielding more benefits to the citizens.

After each of these factors was reviewed, TexasOnline staff developed the four-tier implementation schedule for license renewals.

* Cost savings based on research conducted for the TexasOnline Authority's report, *Cost-Benefit Study of Online Services*, prepared by the Department of Information Resources, December 2002.

- **TIER 1**—The first tier consists of licenses already on TexasOnline or already approved by the eGovernment Task Force (predecessor to the Authority) to be placed on TexasOnline. Each of these licenses had been approved for implementation by May 2002.
- **TIER 2**—The second tier consists of licenses from agencies with total license populations exceeding 10,000, and individual license populations exceeding 1,000. The Authority set implementation dates of June 30, 2002, for these licenses.
- **TIER 3**—Tier 3 licenses reach a smaller license population (no fewer than 1,000 licensees per license), but still reach a significant number of licensees. The Authority set implementation dates of mid-January 2003 for these licenses.
- **TIER 4**—Tier 4 licenses pose a concern for the project because they have small license populations (fewer than 1,000 per license) and are not cost-effective to place online. Tier 4 licenses are not scheduled for implementation at this time.

The Authority is currently reviewing the feasibility of moving some of the Tier 4 license renewals with higher populations into the Tier 3 category. There are four additional renewals that have license populations between 500 and 1,000. If the Authority approves these moves, a phased implementation is anticipated between now and August 2003.*

Exhibit 1 shows how the total number separate licenses are distributed among the tiers, while Exhibit 2 shows the total population of license holders for each tier.

While Tier 4 contains the highest percentage of licenses, it has the smallest percentage of license holders. These figures demonstrate the Authority's rationale behind creating the tiered approach to implementation. **By implementing the first three tiers of licenses as outlined, 99% of the total license holder population for the 23 agencies will be reached.** Only one percent will be remaining in Tier 4.

Exhibit 1. Distribution of the Individual License Types by Tier

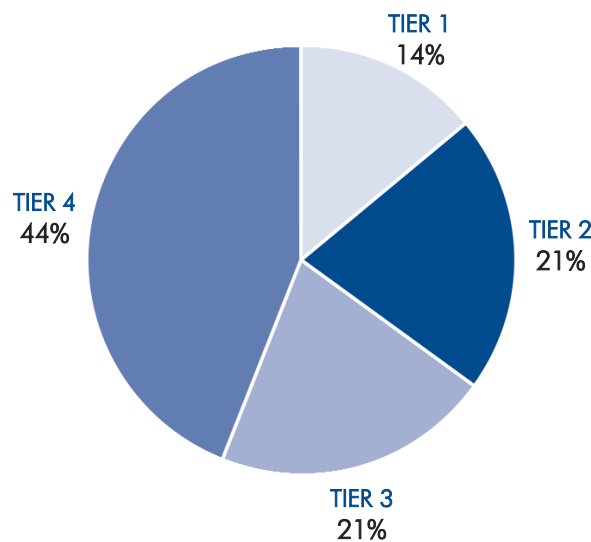
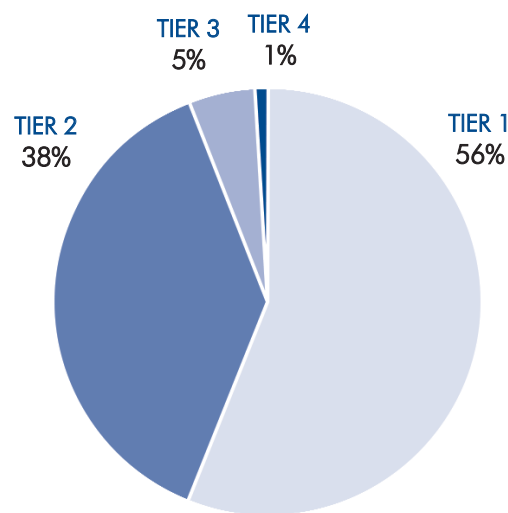


Exhibit 2. Distribution of the Total Service Population by Tier



Subscription Fee Development

The development of subscription fees and a viable business model for the project was a complex task. Since there were many license renewals that had small populations and would not generate enough revenue to cover the costs of placing them online,

* At its November 2002 meeting, the Authority approved moving four license renewals from Tier 4 to Tier 3. This changes the limit for Tier 3 from a minimum of 1,000 licensees per license to 500 licensees per license. These license renewals are not included in the discussion within this report, but are reflected in the appendices.

the business model had to look at the project as a whole and not at each individual license. There were also factors influencing the model, such as the \$5 and \$10 cap, the Contingency Appropriations Rider cap, license populations, license renewal fees, and others. Per legislation, the subscription fee was supposed to cover the costs of placing a renewal online. Since the costs include development and maintenance of the license renewal online, credit card fees, and other transaction fees, the subscription fee had to cover many costs. In many cases, the maximum allowable subscription fee does not cover all costs due to high credit card fees. The process of how the subscription fees were developed will be further discussed in the next chapter.

Authority Approvals

As outlined in the legislation, the Authority needed to approve subscription fees and an implementation schedule for the common occupational licensing project and needed to prepare rules for the DIR Board regarding the subscription fee amounts that profiling agencies must charge. Although the profile fees were to be implemented by January 1, 2002, the Authority did not have a sufficient number of members to constitute a quorum under the Open Meetings Act until January 2002. Thus the Authority prepared and approved emergency rules for the DIR Board with respect to the profile fees at its first meeting in January 2002. The DIR Board subsequently approved the rules at its February 2002 meeting. The profiling agencies also began their rulemaking processes at this time, if they had not done so earlier. This is discussed in more detail in the next section of this chapter.

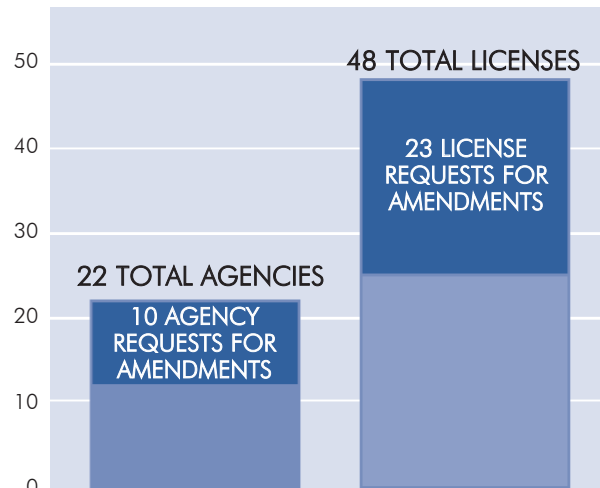
At its February 2002 meeting, the Authority approved the implementation schedule* and the subscription fees.† These two documents became the basis for the remainder of the project.‡ Some agencies have requested amendments to the implementation schedule since then for various

reasons.** Some have asked to be implemented sooner while others sought extensions for internal reasons. The business model was based upon the agencies starting their subscription fee collections at a certain time. The Authority approved the following subscription fee collection start dates:

Profiling Agencies	March 2002
Tier 1 Licensing Agencies	May 2002
Tier 2 Licensing Agencies	May 2002
Tier 3 Licensing Agencies	September 2002
Tier 4 Licensing Agencies	No date set ††

To meet the subscription fee collection start dates, agencies had to raise their renewal fees by rule, which can be a lengthy process. Some agencies requested amendments to these dates, and the Authority has considered each one on an individual basis. As can be seen by Exhibit 3, of the 22 agencies that will be implementing license renewals (Tiers 1, 2, and 3 only), 10 requested amendments to the Authority-approved subscription fee collection start dates. Of

Exhibit 3. Subscription Fee Collection Start Date Amendments



* For the approved implementation schedule, see Appendix D.

† For a list of the approved subscription fees, see Appendix E.

‡ For more information on the design and benefits of the common occupational licensing system, see Appendix F.

** For information regarding approved implementation dates versus actual implementation dates for all licenses in this project, see Appendix G.

†† No date has been set to implement Tier 4 license renewals. See Appendix H for a list of license renewals not being implemented at this time.

the 48 license renewals involved, these amendments impacted 23 individual renewals. While most of the agencies sought an amendment because they could not increase license renewal fees until final rules doing so were adopted, some agencies had other reasons for seeking an amendment. Several agencies had specific renewal periods during the year and, having already completed their annual renewal cycle, would not be able to begin collecting subscription fees until their next renewal period. These agencies requested amendments from the approved collection start dates to the beginning of their next renewal cycle.

The Authority accommodated all requests for amendments except for the initial request from the Texas Cosmetology Commission (TXCC.) TXCC initially requested an amendment to be exempt from participating in the project due to the fact that the commission cannot issue a license without the licensee providing a physician-signed health certificate. The agency felt that this requirement should exclude it from participation the online licensing system. The TexasOnline team had recommended possible workaround solutions to allow the agency to participate, and the Authority denied TXCC's request. The Authority did approve a subsequent TXCC amendment request seeking a deferred collection start date due to the final adoption date of its rule increasing fees to cover costs of the common occupational licensing system.

Although the approved amendments resulted in changes to the revenue projections for the overall project, the projected breakeven point of 2005 was not affected.

Summary

The common occupational licensing system project has been a significant effort for the agencies involved. The 23 agencies were able to work together to agree on an Internet-based common occupational licensing system that allowed for some customization of individual agency needs. Developing the business model proved to be successful once several assumptions and constraints were identified.

Subscription Fee Funding Model

This chapter outlines the process used to develop the business model for the Internet-based common occupational licensing system and how the subscription fees were developed.

2002-03 biennium are shown in Exhibit 4. Due to the phased development and implementation schedule for the project, the numbers in the exhibit reflect less than a full biennium's costs for each of the categories, with the exception of development.

Project Costs

The development of the subscription fee funding model was complex and took into consideration many factors, some of which were outside the control of TexasOnline and the agencies, such as credit card fees charged by the credit card companies. The goal of the legislation was to break even on the project by charging subscription fees in the amount sufficient to cover the costs of implementing this Internet-based common occupational licensing system. **If this goal is achieved, the project is expected to break even in 2005.**

Average Costs Per License Type

For this project, there are standard costs to develop, maintain, and operate each license renewal. The average costs for each license type for the fiscal

Common Occupational Licensing System Costs

While planning and designing this system, the TexasOnline team identified the costs that needed to be covered by the subscription fee. The costs identified were as follows:

- Development of the common front-end (Web-enabled) licensing application.
- Development of the interface between the agency's legacy system and the common system.
- Annual operations costs for hosting the common system on the TexasOnline infrastructure, located at the West Texas Disaster Recovery and Operations Center (WTDROC), include:
 - Application maintenance and support
 - Hardware maintenance and support
 - Software maintenance and support
 - Operations management
 - Data communications circuits
 - 24-hour customer (user) service support via telephone and e-mail
 - Help desk support
 - Finance support
 - Account management support
 - Disaster recovery
- Electronic transaction expenses incurred with each license renewal conducted through the common occupational licensing system:
 - ePay transaction fee (.095 per transaction)
 - Global payment processing fee (.085 per transaction)

Exhibit 4. Average Costs By License Type

Average Development Cost per License Type Includes license system development and integration with agencies' existing computer systems	\$15,191*
Average Annual Operations and Infrastructure per License Type Includes WTDROC operations, telecommunications, application support and enhancements	\$7,310
Average Annual Credit Card and E-Transaction Cost per License Type Includes ePay transaction fee, global payment processing fee, and credit company charges	\$5,920

* The development costs are a one-time cost per license and do not recur on an annual basis

- Credit card charges for MasterCard, Discover, Visa, and American Express (2% of license fee)
- Cost allowance to cover expenses from credit card companies for credit card refunds and charge backs (\$5,000 annual maximum per agency). This does not include refund of actual license fee, only credit card company processing charges.
- Cost allowance to pay third-party contractor to perform interface activities internal to the agency's legacy system. This is the interface to get the data from the agency's database to TexasOnline and to transfer the data from TexasOnline back into the agency's database (\$5,000 maximum allowance for each agency's primary license and \$2,500 for each agency's secondary license(s)).
- Marketing assistance. A marketing package has been developed and was given to each agency. These materials include:
 - Tips on building a successful marketing campaign for an online service.
 - A catalogue of marketing materials that can be easily customized for each agency (printing costs to be borne by the agency).
 - A CD-ROM with a shell press release; TexasOnline logo for the agency's Web site and materials; advertisements for the agency's newsletter; a copy of a public service announcement; and ten posters.
 - Mass marketing of occupational licensing systems to the public.
 - Mass marketing of TexasOnline to the public.
 - Assistance from TexasOnline staff to develop marketing plans specific to the agency's needs and customers.

As the list demonstrates, agencies receive extensive services for a small subscription fee. In most cases, these agencies would not have been able to provide their constituencies with this level of service for such a small cost. The goal of the project was to pay all project costs except for agency resource costs, which are outlined in the next section.

Agency Costs

There were incidental costs that the agencies were expected to pay for that were not covered by the subscription fee:

- Agency staff resources required in assisting TexasOnline developers in developing the agency's front-end (Web-enabled) application and interfaces. This includes the program subject matter experts and agency legacy system expertise for the following activities:
 - Requirements analysis
 - Web application conceptual design
 - Testing the new system
 - Marketing activities
 - Installation and support of agency firewall.
- Any direct marketing materials, including the costs for printing, insertion, and mailing.
- Agency information technology resources (hardware and software) required to test and implement the common system (i.e., CPU cycles, disk storage, tape storage, firewall, database, and legacy system software.)
- Agency information technology resources (hardware and software) required for daily production once the common system is implemented (i.e., CPU cycles, disk storage, tape storage, firewall, database, and legacy system software.)

These costs are operational costs that agencies would be expected to incur while conducting their normal daily business. The agencies have expressed concerns about being able to pay for these items. Where appropriate, the TexasOnline team has absorbed costs into the subscription fee. There are continued discussions on who will absorb the agencies' information technology production costs in the next biennium. If TexasOnline absorbs these future costs, the business model will need to be adjusted, and the projected project breakeven point could be pushed out further.

Caps

There are two caps placed on the project that also impact the business model—the \$5 and \$10 maximum subscription fee cap and the Contingency Appropriations Rider.

Subscription Fee Cap

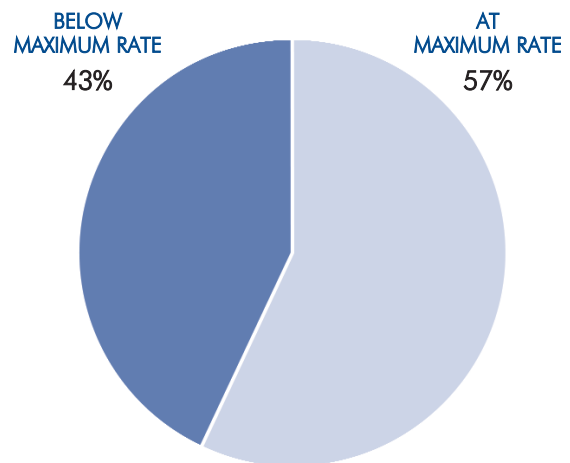
SB 187 sets a limit on the amount that the subscription fees can be: \$5 for an occupational license renewed annually, or \$10 for an occupational license renewed biennially.

In developing the criteria for the subscription fee calculations, the TexasOnline staff tried to keep as many fees under the allowed maximums as possible. To help achieve this goal, the business model took into consideration the total project costs and expected revenues, rather than those for each individual license renewal. This approach was necessary considering that implementation costs cover application development and maintenance, TexasOnline operations, credit card costs, and other electronic transaction fees. In many cases, the maximum allowable subscription fee did not cover the implementation cost for an individual license.

The key factors influencing the model include credit card fees, renewal fees, license populations, and adoption rates. Certain combinations of these factors yield higher costs, which in turn would require a larger subscription fee to cover those costs. With all of these factors included in the calculations, the Authority was able to charge less than the maximum allowable subscription fee for 43% of the non-profile license renewals (see Exhibit 5). If the 10 profile subscription fees are factored into the equation, then 39% of the subscription fees were approved below the maximum allowable rate.

For those subscription fees at the maximum, the base license renewal fees ranged from \$50 to \$1,000. For those below the maximum, the base renewal fees ranged from \$10 to \$500. The larger the base license

Exhibit 5. Percent of Non-Profile Subscription Fees at the Maximum Allowable Rate



renewal fee, the higher the credit card costs are, which in turn requires a larger subscription fee to cover the additional costs.

How Fees Were Developed

As previously stated, the process of developing a viable business model for this project was complex. There were many factors influencing the model and the assumptions made when developing it, including license populations, credit card fees, and caps. **The goal of the project was not to have TexasOnline make revenue, but to just break even.**

In working with the members of the steering committee, TexasOnline staff defined the following requirements and assumptions for setting the subscription fees.

- **Not all license types will be able to recover costs for this service.** Not all of the license types within the project would be able to recover the costs of implementing their license renewals online. Most of the licenses with small license populations would never be able to recover the costs of the service, which required some license types with large license populations to pay more into the project. With this in mind, a minimum of a

\$2 subscription fee was set to help make the breakeven point of the project as early as 2005.

- **An equitable application of subscription fees based on base license fee** (e.g., create a formula that does not charge the same \$5 subscription fee for a \$200 license and a \$30 license). It was important to develop a formula that took into consideration the base license renewal fee so that renewals with a \$30 fee were not charged the same subscription fee as one with a \$200 base renewal fee.
- **A subscription fee not exceeding 10% of the actual renewal fee.** When looking at the formula, it was important to keep in mind the base license renewal fee when calculating the subscription fee. In keeping with the requirement of an equitable application of the subscription fee, it was important to not charge more than a certain percentage of the base license renewal fee. This also assisted in keeping many subscription fees under the maximum allowable rate.
- **No cost should be incurred by the agencies, other than an agency's internal staff resources required for development and implementation of the project.** The 23 agencies were not appropriated any funds to apply towards the development of either of these information systems. Where possible, TexasOnline absorbed all costs directly attributable to this new online system.
- **Do not charge the maximum subscription fee, where possible.** It was important to look at the project as a whole and develop a subscription fee formula that would allow the project to break even in a timely manner, but not overburden each license population with a maximum fee.
- **Charge one subscription fee for agencies participating in both the common occupational licensing system and the profile system.** Since seven agencies were required by statute to participate in both system projects, it was important to

determine a formula that would not place undue burden on these license holders.

- **Charge the maximum allowable subscription fee to the seven agencies participating in both the common occupational licensing system and the profile system.** Since these agencies would be able to take advantage of two separate systems and would only be charged one subscription fee, the funding model needed to charge them the maximum allowable fee so that other license populations were not bearing the burden of the cost of the profile system.

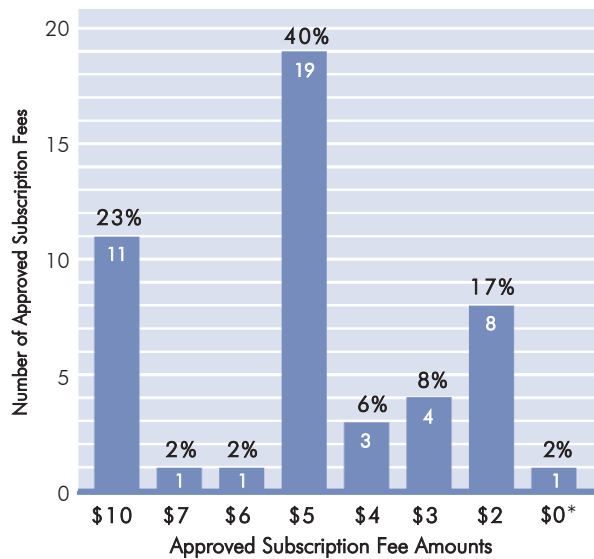
The model was also based upon receiving subscription fee revenue in certain amounts at certain times. Since the schedule was based upon tiers, the agencies were expected to start collecting their subscriptions fees based on the date that the TexasOnline team would begin development work with the agencies, as this is when TexasOnline begins incurring costs. As noted in the last chapter, 45% of the agencies sought an amendment to the subscription fee collection start dates. While this impacted the overall business model for the project, the model remains viable and the project's breakeven point is still expected for 2005.

Based on the criteria of the subscription fees and cap, the Authority has developed a business model for participation in the common occupational licensing system and the profile system that has met all of the aforementioned requirements.

With this model in mind, the Authority approved subscription fees for each of the license renewals. The subscription fees range from \$2 to \$10 for license renewal fees ranging from \$10 to \$500, with the **average subscription fee being \$2.67** for the all renewals implemented in Tiers 1 through 3.

Exhibit 6 depicts how many subscription fees were approved at each amount for each of the occupational licenses approved for implementation.

Exhibit 6. Distribution of Approved Subscription Fees



Subscription Fee Collections

As noted earlier in this report, the Authority set subscription fee collection start dates and nearly half of the agencies requested amendments to these dates. To date, all of the agencies that were required to start collecting subscription fees have paid subscription fees to TexasOnline.[†] The subscription fee collection process involves the agencies, the Comptroller of Public Accounts, and DIR on behalf of TexasOnline.

The Comptroller of Public Accounts (CPA), through Accounting Policy Statement 029, developed the subscription fee collection process. CPA staff worked with each agency and DIR to ensure that this process was developed and implemented within the time-frames established by statute and from the Authority.

The agencies were granted appropriation authority from the CPA once their boards and commissions approved their new fees by rule. As the agencies collect renewal fees from their license holders, they are required to split out their base renewal fees and their subscription fees into separate USAS codes. They are then required to transmit payment for their monthly subscription fee collections to DIR.

Issues regarding this process will be discussed in the Lessons Learned chapter.

Risk Factors

The business model looks at a five-year span for the revenues and expenditures for the project in order to determine the project breakeven point. This project was not intended to be a revenue producer for the state; it was only intended to recover the costs of the project itself in order to break even. Based upon the estimated development, operations, and maintenance costs, the projected breakeven point for the common occupational licensing project is not until 2005.

There are some key factors that pose a risk to the breakeven point of this project:

- The size of the license renewal population
- The Internet adoption rates
- Additional legislative or agency-imposed increases in base license renewal fees.

Size of the License Renewal Population

The actual number of renewals for each license varies from year to year; therefore, the estimates given to the TexasOnline team from the agencies are not exact. Factors influencing the number of renewals include:

- License holders who choose not to renew a license for economic or personal reasons.
- Legislative changes regarding how a license is administered—if license types are consolidated or requirements are increased or reduced.
- The number of people retiring within a profession.

Since one factor built into the calculation of the subscription fee was the number of possible renewals, any of these factors can reduce or increase

* There is one subscription fee set at \$0, since the base license renewal fee is \$0.

[†] For a list of subscription fees paid to DIR, see Appendix I.

the number of people who actually renew a license. If a particular license base is carrying a proportionally high amount of the projected revenue stream for this project, a decrease in the number of renewals can negatively impact the project since fewer dollars in subscription fees will be collected.

Internet Adoption Rates

Another key factor in the business model is the yearly adoption rate estimates for the license renewals. While it is fair to say that not all licenses will be adopted at the same rate, the model assumes that adoption rates for each license renewal increase each year. Traditionally, higher adoption rates are good—they indicate that the target population is using the Internet application and that fees are being collected to pay off the costs of providing the service.

However, with the business model for this project, higher adoption rates can have a negative impact on the project. As discussed earlier in the report, there are many costs associated with providing these license renewals online, with one of the most significant being credit card costs. At 2% of a total transaction, the credit card cost is significant for a license with a high renewal fee—e.g., \$10 in credit card charges for a \$500 license renewal fee. This cost is not avoidable and is passed directly to TexasOnline from the credit card companies. Cases where the credit card cost exceeds the entire subscription fee do not allow for the recovery of other costs. With the cap, TexasOnline is only able to recover \$5 for a one-year renewal and \$10 for a two-year renewal. As the adoption rates increase for these particular license renewals, the project as a whole incurs more credit card costs. Accordingly, subscription fees collected from other license renewals will have to pay for the costs for these license renewals since they cannot fund themselves.

Additional Legislative or Agency-Imposed Increases in Base License Renewal Fees

The third factor that influences the formula for calculating subscription fees was the agency's base license renewal fee. Any additional legislative or agency-imposed increases to the base renewal fees will have an impact on the project business model for two reasons. One, the subscription fees were calculated using the base fee—changes could call for a recalculation of the subscription fee, requiring an additional increase in the license renewal fee. Second, and possibly more profound, increased license renewal fees have a ripple effect on the credit card costs. As discussed in the last section, the 2% credit card costs are charged on the total transaction costs. If a license renewal fee is increased significantly, credit card costs will increase and, depending upon the new license renewal fee, the credit card costs could exceed the subscription fee. This could have a negative impact on the project's business model.

Summary

The business model for this project is based upon sound project management principles. However, there are factors and assumptions built into the model that are outside the control of the TexasOnline team. These variables could negatively impact the business model and present obstacles to meeting the project's expected breakeven date of 2005.

Lessons Learned

This chapter discusses the major issues raised in the planning and implementation of the common occupational licensing system and offers recommendations for future Internet-based projects.

Timelines for Rule Changes

The foundation of the common occupational licensing system is the business model, a component of which is the approval and collection of subscription fees. Without revenue from these fees, the project would have failed. A very important lesson learned from this project concerned the length of time required for a state agency to change an administrative rule. Since legislation required that agencies raise their license renewal fees by the amount of the subscription fees approved by the TexasOnline Authority, agencies had to follow the requirements of the rulemaking process in order to raise their fees.

In order to implement a rule change, these agencies had to have their boards approve proposed and adopted rule changes increasing their license fees. This process can take an average of 120 days. Since the boards and commissions often meet quarterly or less frequently, their timeframes did not always coincide with those of the Authority's approvals. This led to significant delays in agencies being able to raise their fees and begin collecting the subscription fees in the timeframes approved by the Authority. Thus, there was also a delay in revenues coming in from the project in certain instances.

Lessons Learned

- **The state rulemaking process is very lengthy and takes an average of 120 days to change a rule.**

The length of the rulemaking process depends upon the meeting schedule of an agency's board or commission. For this project, the agencies' board or commission meeting schedules did not always coincide with the project timeframes approved by the Authority. For future projects, agencies will require sufficient time to implement any rule changes.

Communication Barriers

As with any project involving human resources, there is the potential for miscommunication. The unique characteristics and business requirements of each agency affected the progress of this project, but overall, the communication processes used in this project were effective. The formation of the steering committee and the use of e-mail and individual agency meetings provided for good channels of communication. However, there were some issues identified that could help future projects of this type.

Lessons Learned

- **Communicating with 23 agencies was difficult.**

Coordinating meetings and reaching a consensus with this many parties is a hard task. Not only did individual personalities and communication styles come into play, but so did the uniqueness of each agency's rules, requiring the team to become more flexible with the design of the common occupational licensing system. As mentioned, there was a need for more customization than originally planned. Also, changes in key agency staff led to miscommunications between agency staff and the TexasOnline team, which further resulted in implementation delays. Some agencies did not appoint decision-making staff to the project's

steering committee. This impeded the relay of information to appropriate agency staff, resulting in further delays. Finally, some agencies did not provide accurate information about their licensing processes and business requirements to the TexasOnline team. Some agencies continually changed this information or relayed information about other licenses to the team. These changes caused the Authority to amend the implementation schedule and subscription fee lists on several occasions and, in some cases, caused delays in finalizing the common occupational licensing system. Overall, the agencies responded well to this project and worked closely with the TexasOnline staff to design a successful system.

- **Smaller agencies lack technical resources to assist with implementation issues.**

TexasOnline staff found that 14% of the occupational licensing agencies did not have technical staff available for the project. Of the agencies with technical staff available, 43% were from outside contracted vendors. Many agencies contract out for services or share common resources in a limited manner. For day-to-day operations this methodology is adequate since full-time information technology resources staff would not be necessary. However, for a project as large as this one, the lack of technical staff had negative impacts on the project. A lack of business-analyst-level staff made it difficult to determine the agencies' unique needs. In the same manner, the TexasOnline team had to work with the agencies' contracted vendors in order to make many decisions. This occasionally led to delays with implementation until issues could be sufficiently communicated with the agencies' decision-making staff.

Some agencies were reluctant to place their renewals online because they believed that their customers would not use the Internet. A small percentage of the agencies did not want to

participate in the project, feeling that their constituents would not use the online service.

- **Some agencies were concerned that a common occupational licensing system would take away their individual agency identities.**

Some agencies were reluctant to use a common licensing system for fear that they could lose control over their licensing requirements and regulations. Agencies were afraid that their constituents would not know that they were on a specific agency's license renewal page and would be confused. Some agencies working with TexasOnline on the common licensing project were apprehensive about restructuring existing processes to accommodate the online service. While most saw TexasOnline as an avenue through which they could promote their services, some agencies hesitated, feeling that their authority in how they conduct business would be compromised.

This issue was overcome during the conceptual design phase of the project. As each agency met individually with the TexasOnline staff, the agency was able to customize the entry page to its renewal application. Each agency had the ability to place its own logo and agency name on this front page so that its constituents would know that they were visiting the correct site.

- **Some agencies were reluctant to place their services online because of statutory requirements for supporting documentation.**

Most of the occupational licensing agencies require some form of supporting documentation or signature on their original license applications and renewal forms. In some cases, these requirements are in statute and would require legislative change, whereas others may be determined by administrative rule or set as procedures. These requirements can impede the ability of an agency to bring a license online.

Frequently, the agency does not use or verify the information, but still collects it because it has been a standard requirement for many years.

Reviewing agency requirements could not only assist in bringing additional services to TexasOnline, but it could help the agencies modify their internal procedures. Agencies could achieve cost savings from streamlining their business processes.

- **Some agencies were reluctant to increase their fees.**

Some agencies did not understand why fees were raised for all license holders, whether the licensee renewed online or not. Agencies were concerned about how their constituents would react to fee increases and wanted to make it clear that the increases were the result of legislative statute.

Overall, the agencies and the TexasOnline team worked well together. The agencies were generally positive and, in most cases, felt that both their agency and constituencies would benefit from the online services. To prevent some of these communication issues from recurring, it will be important to educate agencies about the benefits of placing services on TexasOnline. The TexasOnline team will continue to cultivate working relationships with agencies to assure agencies that their jurisdictions will not be infringed upon. Agencies must also be given affirmation that their unique needs will be met through the common licensing system.

Adoption Rates and Marketing

While 38 license renewals are currently available through TexasOnline, most have only been in production from one to four months. This short period does not provide sufficient data for conclusive analysis. However, some services, such as the Texas Real Estate Commission's Individual Broker and

Sales renewals, the Texas Department of Insurance's Agent renewal, and the Board of Nurse Examiner's Nurse renewal, have shown adoption rates near 21%, 14%, and 10%, respectively. Reasons for these excellent adoption rates include the agencies' marketing efforts and the level of existing Internet usage among their license holders. The Authority expects to see similar adoption rates for some of the newer license renewal services.

People in some professions are typically more Internet-savvy than others and are more likely to choose to renew a license online. Accordingly, it will be important to educate members of other occupational groups about the benefits of online renewal.

Lessons Learned

- **Marketing is key to getting the word out about the new renewal services available through TexasOnline, with direct mail marketing being the most cost-effective approach.**

Through experience with other services available through TexasOnline, the Authority has found that marketing via direct mail is the most effective technique. It is cost-effective since promotional pieces can be printed in bulk and sent directly to the target population. Opening a piece of mail with a notice of an online renewal service will catch the recipient's eye and will lead him or her to TexasOnline. The Department of Transportation's (TxDOT's) Motor Vehicle Registration renewal and the Department of Public Safety's (DPS's) Driver License renewal are proof that direct mail marketing works.

TxDOT conducted a pilot with direct mail inserts during the months of April, May, and June, 2002, and increased the number of online renewals from about 4,700 in the month of February to about 18,500 in April. This is nearly a 300% increase in the number of online renewals conducted.

DPS began including promotional inserts in its renewal notices in September 2001. The adoption rate for the Driver License renewals increased from 4.4% to 12.9% after this.

- **The agencies' ability and willingness to market their online services will impact the adoption rates.**

Some agencies have already undertaken a direct marketing approach, and in some cases, TexasOnline has assisted in developing promotional inserts for agencies. Other types of marketing efforts are effective as well, including notices to professional associations, newsletter articles, and Web site notices. Some agencies have undertaken these types of efforts, while others have expressed a reluctance to market their services. This reluctance could have a negative impact on adoption rates. Marketing is not a common activity within state government, so resources for these efforts are typically scarce.

Some agencies have expressed an inability to pay for marketing materials so TexasOnline is redirecting some of its resources to help these agencies. TexasOnline is in the process of designing a generic mail insert that all occupational licensing agencies can choose to include with their renewal notices. While this will help with promotional efforts, TexasOnline cannot conduct the marketing alone. The agencies know their customers and are in the best position to communicate with them on a variety of levels.

Another factor that can impact adoption rates is the agencies' willingness to promote the online renewal option as a *preferred* method of renewing licenses. Some agencies would rather that their constituents use traditional methods of license renewal and are therefore reluctant to expend resources marketing online renewal methods.

The State of Maryland has taken an aggressive approach to occupational licensing. In 2001, Maryland experienced nearly two-thirds of all

licensing transactions occurring over the Internet. The state attributes this high overall adoption rate to the fact that its Department of Labor, Licensing, and Regulation stopped sending paper renewal forms and instead mailed licensees Internet instructions and a PIN number. If users still want to renew in a more traditional way, the instructions explain how they can proceed. Maryland has seen efficiencies from this new process and has been able to redirect labor away from processing paper and toward dealing with people and their issues.*

This approach can be very effective within certain occupations that have a high number of Internet users and even in those with fewer Internet users. Maryland found that 80% of certified public accountants used the online system and more than 50% of the barbers and cosmetologists—considered two of the least tech-savvy groups of professionals—were using the system. By requiring agencies to promote online license renewals, the state is going a long way toward updating outmoded agency processes. These efforts will eventually translate into savings for the state by reducing the costs of processing manual renewals.

- **There is a false impression that the costs for marketing are not recovered.**

While there is a cost to print and distribute marketing materials, there are cost savings seen from increasing adoption rates of the online services. Providing government services via the Internet is typically the cheapest method of service delivery. Marketing the services produce direct benefits. Not only will there be savings to the agencies from conducting more services online than by the more expensive walk-in, mail, or fax approaches, the agencies can also choose to re-deploy staff to more core functions. Agencies can re-engineer their business processes and, as a result, become more efficient at providing services.

* From "Licensed to Succeed," *Government Technology*, August 31, 2001.

The Authority has undertaken a benchmarking study to determine the quantitative and qualitative benefits of placing services online. The Texas Department of Insurance (TDI) is an example of an agency that may benefit from targeted marketing of its online Agent License Renewal. As determined through the benchmarking study, TDI has an adoption rate of 12% for its online license renewal. The agency has also seen a 25% decrease in the cost per transaction. As usage of the online channel increases, TDI should see a reduction in service level costs. As staff resources are reallocated from tasks involved in traditional license renewal methods, the agency will be able to conserve on the time and expenses spent on processing renewal applications. Consequently, as the adoption rate of the online service increases, the agency should see a concurrent increase in cost savings associated with the agent license renewal process as a whole.*

Connectivity, Security, and Information Technology Resources

One of the most critical components of TexasOnline is its state-of-the-art security technology. All state agencies are required to have minimum-security requirements to protect their systems and data, regardless of whether they participate in TexasOnline. If an agency chooses to participate in a TexasOnline project, the agency must first meet minimum-security requirements by using a firewall to protect its information systems and securing connectivity for the transfer of data between the agency and TexasOnline. Stringent security measures are required to protect TexasOnline, the integrity of data used to support TexasOnline applications, and citizen confidentiality from compromise.

Lessons Learned

- **Many agencies do not have adequate security measures in place, nor the staff with the technical expertise to purchase, install, or maintain security equipment.**

While working with many of the licensing agencies, the TexasOnline team discovered that more than 70% of these agencies did not have adequate security in place. This meant that the agencies were not protected by attempts from hackers to invade the agencies' internal systems and destroy critical information. As a consequence, licenses could be issued incorrectly or late, inspections could be missed, or other important business interrupted. Without the necessary security in place, agencies did not adequately control who had access to their systems.

As a result, the TexasOnline team worked with these agencies to find a solution to this problem and was able to recommend that a firewall be installed for these agencies. This security feature ensures that the agencies' existing systems and their new online renewal system would be secure. In fact, TexasOnline absorbed the cost of these firewalls for more than 55% of the occupational licensing agencies, since they did not have the resources to purchase and install the devices. The team also shared the TexasOnline Security Policy with agencies during individual agency meetings.

The TexasOnline team has been working with the agencies, divisions within DIR, and the vendor community to ensure that agencies can maintain secure technology environments without being severely impacted. With the tiered approach to implementation, the lessons learned from the early tiers will help with the later implementations. Fortunately, affordable solutions have been found to help these agencies enhance their security and,

* Cost savings based on research conducted for the TexasOnline Authority's report, *Cost-Benefit Study of Online Services*, prepared by the Department of Information Resources, December 2002.

in many cases, the cost has been absorbed as part of the subscription fee. However, state agencies should be urged to update or consolidate their security resources to better accommodate the secure transmission of online applications.

- **Many of the smaller agencies lack the technical requirements necessary to support TexasOnline applications.**

The TexasOnline team found that some of the smaller licensing agencies did not have stable technologies in place to support their business functions. These agencies are running their licensing databases on old software systems that are no longer fully supported or able to be upgraded. In some instances, it was difficult to develop an interface from an agency's internal system to TexasOnline because of the incompatibility of the older, less mature software. The TexasOnline team has worked with each of these agencies to find workable solutions, where possible, to these problems.

Subscription Fee Model

Until the passage of SB 187 with regards to the occupational licensing project, state agencies typically charged a convenience fee to Internet users choosing to use their service via TexasOnline. The legislation required that TexasOnline charge a subscription fee to the occupational licensing agencies. The agencies were appropriated this expense by a statutory increase in their license renewal fees.

The Internet is now an additional channel of government service delivery. The Internet has become a popular choice for conducting business and is the least costly method of government service delivery. Walk-in service, followed by phone service, is the most costly channel of service delivery. Since agencies do not currently charge customers a convenience fee to walk-in or call-in a renewal, they

should not have to charge a convenience fee to their Internet customers. The new subscription fee model charges the entire license population a fee. As a result, Internet users are being treated the same as customers who renew their licenses by more traditional methods.

Lessons Learned

- **Since the subscription fee is charged to the entire license holder population, all license holders absorb the cost.**

Users of the online system are not presented with a separate convenience fee and are treated the same as customers renewing by a traditional method. The subscription fees allow for a quicker return on investment since all licensees, not just those using TexasOnline, must pay the fee. This allows for a more rapid implementation of an online service.

- **In some cases the approved subscription fees do not cover the actual expenses of going online.**

Since some license fees are large, the credit card fees that TexasOnline is required to pay are also large. SB 187 set a subscription fee cap for the occupational licensing agencies of \$5 per license renewed annually or \$10 per license renewed biennially. The credit card fees can, in some cases, be more than the allowed maximum subscription fees. As adoption rates increase for occupational license renewals, more credit card fees will have to be paid, thus reducing the project's return on investment. Credit card companies charge fees for the privilege of using their credit card services. These fees, typically 2% of the total transaction, are passed directly to TexasOnline by the credit card companies.

Contingency Appropriations Rider Cap

There is a constraint placed upon this project due to a Contingency Appropriations Rider for SB 187.* The rider appropriates the increase in subscription fees from the licensing entities in an amount not to exceed \$1.225 million in fiscal 2002 and an amount not to exceed \$1.907 million in fiscal 2003. As the project stands today, it has nearly reached the cap. This limits the number of additional occupational licenses that can be brought online. There are agencies outside of those named in SB 645 that have expressed an interest in bringing their occupational licenses on TexasOnline, but, because of the cap, may not be able to do so. The cap restricts the number of licenses that the Authority can approve to come on TexasOnline and reduces the benefit to the citizens of Texas.

Lessons Learned

- **This cap limits the number of occupational licenses that can be implemented during this biennium.**

While working on this project, the TexasOnline team received inquiries about the common occupational licensing system from interested agencies that were not specifically listed in SB 645.

Since SB 187 requires a subscription fee model for all occupational licenses, the cap would restrict the amount of expenditures that could be made for occupational licenses. While these agencies are not part of the common occupational licensing system required by SB 645, they are subject to this Contingency Appropriations Rider Cap.

In order for TexasOnline to accelerate the implementation of the Internet-based common occupational licensing system, these caps need to be raised or eliminated.

Subscription Fee Collections

The funding model for this project was based upon subscription fee collections from the agencies. As license holders renew their occupational licenses, whether online or by more traditional methods, they pay their license renewal fee, a portion of which comprises the subscription fee. Online renewals benefit the state because of TexasOnline's automated payment system, which—unlike traditional payment methods—automatically deposits the user's payment into the Treasury with no manual intervention.

Lessons Learned

- **Many agencies were not able to implement and collect their subscription fees in the timeframes set by the Authority.**

Subscription fees fund the common licensing project. Agencies need an average of 120 days to adopt an administrative rule to establish new or increased subscription fees. In many cases, this prevented agencies from implementing and collecting subscription fees on the start date approved by the Authority. Forty-five percent of the agencies sought amendments from their approved subscription fee collection start dates. Even after being granted an amendment, some agencies did not begin collecting subscription fees when they were approved to do so. Finally, some agencies did not transmit collected subscription fees to DIR in a timely manner.

- **The current method of agencies accounting for subscription fees for costs incurred is cumbersome.**

Some agencies have more than one online license renewal. It is not possible for DIR to verify that the agency is transmitting the appropriate amount of fees to DIR for each license. DIR does not have access to the actual number of renewals

* General Appropriations Act, 77th Leg. R.S., art. IX, § 10.40, Tex. Gen. Laws IX-93.

conducted at each agency per month, so DIR relies on estimates of total yearly populations provided by the agencies.

Since subscription fees are collected from license holders who renew by all channels of service delivery, it is not possible for DIR to verify if subscription fees are being coded appropriately for people renewing manually. The splitting of the fees is done automatically for an online renewal.

DIR is working with agencies to try to determine if the agencies are transmitting the appropriate amount of subscription fees to DIR.

Original Licenses

While the legislation requires the Authority to implement original license applications on TexasOnline, there are some barriers to successfully being able to comply with this requirement.

Lessons Learned

- **Most original licenses require supporting documentation or signatures for validation. Current technology does not easily allow for this to occur.**

Most original license applications require some type of supporting documentation, such as a signature, notary seal, picture, or a fingerprint to name a few. It is difficult to obtain these items over the Internet. Implementation of the original licenses was delayed in part for this reason, with the hope that new technologies will be developed to help resolve this issue. Without the ability to accept supporting documentation over the Internet, people may be less likely to choose to conduct a transaction online. As previously noted, some agencies are concerned about increased workload with matching online data with mailed-in documents. Some applications such as the Department of Public Safety's (DPS's) Concealed

Handgun Applications and the Texas Real Estate Commission's (TREC's) Original Real Estate Salesperson applications are on TexasOnline and have found successful workarounds to this issue.

With the development of the original Concealed Handgun applications online, DPS realized the benefits to be achieved and re-engineered some processes to reflect the needs of the online licensing system. For applicants wanting to get licensed, they are able to access the online system and begin the licensing process by directly filling in certain fields online. For these applicants, this has eliminated some steps: printing postcard sized requests for application materials, mailing applications to prospective applicants, and data entering the applicant's information. Once a prospective applicant enters the initial data, an online receipt page offers a summary of the additional documents required by law in order to become licensed and describes how to obtain them. DPS also now provides these other materials to handgun training instructors since applicants must take the training in order to become licensed. With this new online application, the agency has saved in printing, mailing and staff time. The adoption rate for this application is about 41%.

The Texas Real Estate Commission has redesigned its business processes to include online original applications. To apply for a salesperson license, an individual must first complete four core real estate courses that are offered by both proprietary schools and accredited colleges and universities. Individuals must submit paper certificates or transcripts for evaluation prior to making application to take the real estate licensing exam. Additionally, individuals must submit a signature for the agency to keep on file in the event of any complaint or other future dispute. Since it would be difficult to submit documents and signatures online, TREC has separated the tasks into two discreet functions: (1) Upon completion of all required courses, an individual submits a Request

for Education Evaluation, encloses transcripts or certificates of course completion, and signs the request. (2) Upon approval, TREC sends a letter of eligibility, which allows the applicant to file an application for a license online. Once the application is completed, the individual is able to schedule a time to take the salesperson license examination. The adoption rate for this application is about 22%.

One concern with notarized and third-party signature requirements of some state agencies is the extent to which such a signature should continue to be required. In some cases, state agencies may have developed processes over time that require levels of validation that may not actually be necessary or useful to the transaction in the present day.

- **There is no funding available to place original licenses online.**

The subscription fee required from SB 187 was to fund renewals only, thereby leaving no funding for originals. As seen with the cost model information noted above, implementing the renewal licenses for Tiers 1 through 3 and converting existing occupational licenses on TexasOnline from a convenience fee model to a subscription fee model brings the project close to the cap. As a result, original licenses will be delayed pending relief from the cap and additional funding opportunities. The current approved subscription fees will not cover the cost of implementing original license applications.

Small License Holder Populations

Occupational license renewals for some agencies are in a Tier 4 status, with no implementation date set. Tier 4 licenses have very small license holder populations that are under 1,000.* The smaller license populations cannot effectively recover their costs for this project.

Lessons Learned

- **Tier 4 license renewals have a small license holder population and the amount of revenue expected from these renewals would not exceed the costs to develop and maintain these services online. These renewals would have a negative impact on the business model.**

Most of the smaller occupational licenses with populations under 1,000 were placed in a Tier 4 status. Each preceding tier has an implementation date, but Tier 4 does not. Implementation of these licenses would be extremely costly for the project, and may never pay for itself. Since the license populations for these renewals are small, there would be minimal benefit to the citizens by placing these services online. Since this business model for the occupational licensing project was developed based upon all license renewals, the fees for other licenses may have to be raised to pay for the smaller renewals. In this case, more license holders are impacted with a higher fee to pay for the smaller renewals.

Facilities

The common occupational licensing system can be used as a model to bring other similar applications, such as facility licensing, online. The same kind of template, coupled with a subscription fee approach, could allow for the cost-effective implementation of these licenses.

Lessons Learned

- **Some occupational licensing agencies have facility licenses that are tied to their occupational licensing renewals. In some cases, an individual needs both**

* The Authority approved moving four Tier 4 license renewals to Tier 3 in November 2002. With this approval, all Tier 4 license renewal populations are now under 500 license holders.

of these licenses in order to practice his or her profession.

Some of the agencies involved in the common occupational licensing system have facilities that they regulate and have expressed an interest in using this same model to bring their facility license renewals online. Some agencies feel their online licensing renewals will suffer if their facility license renewals are not online as well, since the individual and facility licenses are closely related.

Recommendations

The evolution of the common occupational licensing system has brought many issues to the forefront of implementing licensing applications. The lessons learned will be valuable as TexasOnline continues with this project and the state embarks on future projects of this type. While all of the issues are important, the Authority presents the following five recommendations as the overarching items necessary for the success of these Internet-based projects.

1. The subscription fee model established by the 77th Legislature should be expanded for other uses to eliminate, where feasible, a separate convenience fee for Internet users. Other examples where subscription fees can be used would be for facility licensing and original licensing.
2. Raise or eliminate the expenditure cap for the TexasOnline Project set by the 77th Legislature so that TexasOnline can accelerate the timeline in bringing additional occupational licenses online.
3. Require agencies to include marketing materials with renewal notices and in other forms of communications with their constituencies in order to inform customers about the online renewal process.

4. Educate agencies about the benefits and cost savings that result from moving their services online.
5. Encourage agencies to re-engineer their processes of receiving supporting documentation and signatures.

Summary

As with any project, there have been many lessons learned from the common occupational licensing system. The TexasOnline team will benefit from these lessons in future phases of this and other projects of the same scope and magnitude.

Appendix A

Senate Bill 187, 77th Legislature

1-1 AN ACT
1-2 relating to the creation of an authority and related projects and
1-3 duties regarding government services provided through online
1-4 systems.
1-5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:
1-6 SECTION 1. Section 2054.051, Government Code, is amended by
1-7 adding Subsection (f) to read as follows:
1-8 (f) The department shall identify opportunities for state
1-9 agencies to coordinate with each other in the adoption and
1-10 implementation of information resources technology projects.
1-11 SECTION 2. Subsection (a), Section 2054.096, Government
1-12 Code, is amended to read as follows:
1-13 (a) Each agency strategic plan must be consistent with the
1-14 state strategic plan and include:
1-15 (1) a statement of the state agency's goals,
1-16 objectives, and programs as found in the agency's legislative
1-17 appropriations request;
1-18 (2) a description of the agency's major data bases and
1-19 their applications;
1-20 (3) a description of the agency's information
1-21 resources management organizations, policies, and practices;
1-22 (4) a description of interagency computer networks in
1-23 which the agency participates;
1-24 (5) a statement of the strategic objectives of the
1-25 agency relating to information resources management for the next
2-1 five fiscal years, beginning with the fiscal year during which the
2-2 plan is submitted, with a description of how those objectives help
2-3 achieve the agency's programs and goals, and a description of how
2-4 those objectives support and promote the goals and policies of the
2-5 state strategic plan; [and]
2-6 (6) a description of any information resources
2-7 technology projects proposed by the agency, including:
2-8 (A) a statement of how the projects relate to
2-9 similar projects, as identified by the department, implemented or
2-10 proposed by other agencies; and
2-11 (B) a description of any proposed plans for
2-12 coordinating the projects with other agencies; and
2-13 (7) other planning components that the department may
2-14 prescribe.
2-15 SECTION 3. Chapter 2054, Government Code, is amended by
2-16 adding Subchapter I to read as follows:
2-17 SUBCHAPTER I. TEXASONLINE AUTHORITY AND PROJECT
2-18 Sec. 2054.251. DEFINITIONS. In this subchapter:
2-19 (1) "Authority" means the TexasOnline Authority.
2-20 (2) "Division" means the TexasOnline division created
2-21 by the department under Section 2054.264.
2-22 (3) "Licensing entity" means a department, commission,

2-23 board, office, or other agency of the state or a political
2-24 subdivision of the state that issues an occupational license.

2-25 (4) "Local government" means a county, municipality,
2-26 special district, school district, junior college district, or
3-1 other political subdivision of the state.

3-2 (5) "Occupational license" means a license,
3-3 certificate, registration, or other form of authorization that a
3-4 person must obtain to practice or engage in a particular business,
3-5 occupation, or profession.

3-6 (6) "Project" means the project implemented under
3-7 Section 2054.252.

3-8 Sec. 2054.252. TEXASONLINE PROJECT. (a) The authority
3-9 shall implement a project designated "TexasOnline" that establishes
3-10 a common electronic infrastructure through which state agencies and
3-11 local governments, including licensing entities, may
3-12 electronically:

3-13 (1) send and receive documents or required payments to
3-14 and from:

3-15 (A) members of the public;
3-16 (B) persons who are regulated by the agencies or
3-17 local governments; and
3-18 (C) the agencies and local governments;

3-19 (2) receive applications for original and renewal
3-20 licenses and permits, including occupational licenses, complaints
3-21 about occupational license holders, and other documents for filing
3-22 from members of the public and persons who are regulated by a state
3-23 agency or local government that, when secure access is necessary,
3-24 can be electronically validated by the agency, local government,
3-25 member of the public, or regulated person;

3-26 (3) send original and renewal occupational licenses to
4-1 persons regulated by licensing entities;

4-2 (4) send profiles of occupational license holders to
4-3 persons regulated by licensing entities and to the public;

4-4 (5) store information; and
4-5 (6) provide and receive any other service to and from
4-6 the agencies and local governments or the public.

4-7 (b) The electronic infrastructure established by the
4-8 authority under Subsection (a) may include the Internet, intranets,
4-9 extranets, and wide area networks.

4-10 (c) The authority may implement this section in phases.
4-11 Each state agency or local government that chooses to participate
4-12 in the project and each licensing entity shall comply with the
4-13 schedule established by the authority.

4-14 (d) The authority may contract with a private vendor to
4-15 implement this section.

4-16 (e) The authority shall charge fees to licensing entities in
4-17 amounts sufficient to cover the cost of implementing this section
4-18 with respect to licensing entities. The authority shall charge a
4-19 subscription fee to be paid by each licensing entity.

4-20 (f) The authority may exempt a licensing entity from
4-21 subscription fees under Subsection (e) if the authority determines
4-22 that the licensing entity has established an Internet portal that

4-23 is performing the functions described by Subsection (a).

4-24 (g) Each licensing entity shall increase the occupational
4-25 license renewal fees imposed by the licensing entity by an amount
4-26 sufficient to cover the cost of the subscription fee imposed on the
5-1 licensing entity under Subsection (e) but not to exceed:

5-2 (1) \$5 for an occupational license that is required to
5-3 be renewed annually; or

5-4 (2) \$10 for an occupational license that is required
5-5 to be renewed biennially.

5-6 Sec. 2054.253. MEMBERSHIP. (a) The authority consists of
5-7 15 members, as follows:

5-8 (1) a representative of each of the following state
5-9 officers or agencies appointed by the state officer or the
5-10 governing body of the agency:

5-11 (A) the comptroller; and
5-12 (B) the department;

5-13 (2) three representatives of local governments
5-14 appointed by the governor, including one representative from a
5-15 junior college district;

5-16 (3) three representatives of businesses that are
5-17 regulated by a state agency or local government, appointed by the
5-18 governor, including one representative from a rural area;

5-19 (4) four representatives of state agencies, including
5-20 an institution of higher education other than a junior college
5-21 district, appointed by the governor, including one representative
5-22 from a rural area; and

5-23 (5) three public members appointed by the governor,
5-24 including one representative from a rural area.

5-25 (b) A representative of the state auditor shall advise the
5-26 authority.

6-1 Sec. 2054.254. TERMS. The members of the authority are
6-2 appointed for staggered terms of six years with five members' terms
6-3 expiring on February 1 of each odd-numbered year.

6-4 Sec. 2054.255. PRESIDING OFFICER. The member of the
6-5 authority representing the department is the presiding officer.

6-6 Sec. 2054.256. MEETINGS. The authority shall meet at least
6-7 quarterly.

6-8 Sec. 2054.257. REIMBURSEMENT OF EXPENSES. A member of the
6-9 authority is not entitled to compensation but is entitled to
6-10 reimbursement for the member's travel expenses as provided by
6-11 Chapter 660 and the General Appropriations Act.

6-12 Sec. 2054.258. TRAINING FOR AUTHORITY MEMBERS. Not later
6-13 than six months after the date on which an authority member is
6-14 appointed, the member must complete training on the following:

6-15 (1) the legislation that created the authority, the
6-16 division, and the project;

6-17 (2) the department rules that relate to the authority
6-18 and the project;

6-19 (3) the programs operated by the authority and
6-20 division;

6-21 (4) the role and functions of the authority and
6-22 division;

6-23 (5) the current budget for the authority and division;
6-24 (6) the results of the most recent formal audit of the
6-25 authority;
6-26 (7) the requirements of:
7-1 (A) the open meetings law, Chapter 551;
7-2 (B) the public information law, Chapter 552;
7-3 (C) the administrative procedure law, Chapter
7-4 2001; and
7-5 (D) other laws relating to public officials,
7-6 including conflict of interest laws; and
7-7 (8) any applicable ethics policies adopted by the
7-8 authority or the Texas Ethics Commission.
7-9 Sec. 2054.259. GENERAL POWERS AND DUTIES OF TEXASONLINE
7-10 AUTHORITY. The authority shall:
7-11 (1) develop policies related to operation of the
7-12 project;
7-13 (2) consider services to be provided by the project;
7-14 (3) operate and promote the project;
7-15 (4) manage contract performance for the project;
7-16 (5) comply with department financial requirements;
7-17 (6) oversee money generated for the operation and
7-18 expansion of the project;
7-19 (7) develop project pricing policies, including
7-20 policies regarding any fees that a state agency or local government
7-21 may charge for a transaction that uses the project;
7-22 (8) evaluate participation in the project to determine
7-23 if performance efficiencies or other benefits and opportunities are
7-24 gained through project implementation;
7-25 (9) advise the department about the project; and
7-26 (10) coordinate with the department to receive
8-1 periodic security audits of the operational facilities of the
8-2 project.
8-3 Sec. 2054.260. REPORTING REQUIREMENTS: AUTHORITY. (a) Not
8-4 later than September 1 of each even-numbered year, the authority
8-5 shall report on the status, progress, benefits, and efficiency
8-6 gains of the project. The authority shall provide the report to:
8-7 (1) the presiding officer of each house of the
8-8 legislature;
8-9 (2) the chair of each committee in the legislature
8-10 that has primary jurisdiction over the department;
8-11 (3) the governor; and
8-12 (4) each state agency or local government
8-13 participating in the project.
8-14 (b) As required by the department, the authority shall
8-15 report to the department regarding financial matters, including
8-16 project costs and revenues.
8-17 (c) The authority shall report to the department on any
8-18 significant issues regarding contract performance on the project.
8-19 Sec. 2054.2605. REPORTING REQUIREMENTS: LICENSING ENTITIES.
8-20 (a) Each licensing entity shall report to the Legislative Budget
8-21 Board on the licensing entity's progress in using the project in
8-22 performing the functions described by Section 2054.252(a).

8-23 (b) This section applies only to a licensing entity for
8-24 which the authority has begun implementation of the project under
8-25 the schedule established by the authority.

8-26 (c) A report required by this section shall be submitted
9-1 every six months according to a reporting schedule established by
9-2 the Legislative Budget Board.

9-3 Sec. 2054.2606. REPORTING PROFILE INFORMATION. (a) The
9-4 following licensing entities shall establish a profile system
9-5 consisting of the specific license holder information prescribed by
9-6 Subsection (c):

9-7 (1) Texas Board of Chiropractic Examiners, with
9-8 respect to chiropractors;

9-9 (2) Texas State Board of Podiatric Medical Examiners,
9-10 with respect to podiatrists;

9-11 (3) State Board of Dental Examiners, with respect to
9-12 dentists;

9-13 (4) Texas Optometry Board, with respect to
9-14 optometrists and therapeutic optometrists;

9-15 (5) Texas Board of Physical Therapy Examiners, with
9-16 respect to physical therapists and physical therapy facilities;

9-17 (6) Texas Board of Occupational Therapy Examiners,
9-18 with respect to occupational therapists and occupational therapy
9-19 facilities;

9-20 (7) Texas State Board of Examiners of Psychologists,
9-21 with respect to psychologists; and

9-22 (8) Texas State Board of Pharmacy, with respect to
9-23 pharmacists and pharmacies.

9-24 (b) A licensing entity other than a licensing entity listed
9-25 in Subsection (a) is encouraged to establish a profile system
9-26 consisting of the specific license holder information prescribed by
10-1 Subsection (c).

10-2 (c) A licensing entity that establishes a profile system
10-3 under this section shall determine the information to be included
10-4 in the system and the manner for collecting and reporting the
10-5 information. At a minimum, the entity shall include the following
10-6 information in the profile system:

10-7 (1) the name of the license holder and the address and
10-8 telephone number of the license holder's primary practice location;

10-9 (2) whether the license holder's patient, client,
10-10 user, customer, or consumer service areas, as applicable, are
10-11 accessible to disabled persons, as defined by federal law;

10-12 (3) the type of language translating services,
10-13 including translating services for a person with impairment of
10-14 hearing, that the license holder provides for patients, clients,
10-15 users, customers, or consumers, as applicable;

10-16 (4) if applicable, insurance information, including
10-17 whether the license holder participates in the state child health
10-18 plan under Chapter 62, Health and Safety Code, or the Medicaid
10-19 program;

10-20 (5) the education and training received by the license
10-21 holder, as required by the licensing entity;

10-22 (6) any specialty certification held by the license

10-23 holder;

10-24 (7) the number of years the person has practiced as a
10-25 license holder; and

10-26 (8) if applicable, any hospital affiliation of the
11-1 license holder.

11-2 (d) The authority shall prepare rules for adoption by the
11-3 board to prescribe the amount of the fee to be collected by a state
11-4 agency that establishes a profile system for its license holders.

11-5 (e) The authority shall prepare additional rules as
11-6 necessary to assist in the funding and administration of the
11-7 profile systems established by state agencies, including rules
11-8 prescribing policies for vendor contracts relating to the
11-9 collection and entry of profile data.

11-10 Sec. 2054.261. ASSISTANCE AND COORDINATION WITH OTHER
11-11 GOVERNMENTAL ENTITIES. The authority shall:

11-12 (1) assist state agencies and local governments in
11-13 researching and identifying potential funding sources for the
11-14 project;

11-15 (2) assist state agencies and local governments in
11-16 using the project;

11-17 (3) assist the legislature and other state leadership
11-18 in coordinating electronic government initiatives; and

11-19 (4) coordinate operations between state agencies and
11-20 local governments to achieve integrated planning for the project.

11-21 Sec. 2054.262. RULES. (a) The authority shall prepare
11-22 rules regarding operation of the project for consideration by the
11-23 board.

11-24 (b) The board may adopt rules prepared by the authority.

11-25 Sec. 2054.263. SEAL. The authority shall adopt an icon,
11-26 symbol, brand, seal, or other identifying device to represent the
12-1 project.

12-2 Sec. 2054.264. TEXASONLINE DIVISION. The department shall
12-3 create a division in the department designated "TexasOnline" to
12-4 assist the authority in implementing its powers and duties under
12-5 this subchapter.

12-6 Sec. 2054.265. SEPARATION OF RESPONSIBILITIES. The
12-7 authority shall develop and implement policies that clearly
12-8 separate the policymaking responsibilities of the authority and the
12-9 management responsibilities of the division.

12-10 Sec. 2054.266. DONATIONS AND GRANTS. The authority may
12-11 request and accept a donation or grant from any person for use by
12-12 the authority in implementing or managing the project.

12-13 Sec. 2054.267. APPLICABILITY OF OTHER LAW. Chapter 2110
12-14 does not apply to the authority.

12-15 SECTION 4. Subsection (f), Section 2054.062, Government
12-16 Code, is amended to read as follows:

12-17 (f) The task force is abolished and this section expires
12-18 November [September] 1, 2001.

12-19 SECTION 5. Subchapter F, Chapter 2054, Government Code, is
12-20 amended by adding Sections 2054.111 and 2054.112 to read as
12-21 follows:

12-22 Sec. 2054.111. USE OF TEXASONLINE PROJECT. (a) In this

12-23 section, "authority," "local government," and "project" have the
12-24 meanings assigned by Section 2054.251.

12-25 (b) A state agency shall consider using the project for
12-26 agency services provided on the Internet, including:

13-1 (1) financial transactions;

13-2 (2) applications for licenses, permits, registrations,
13-3 and other related documents from the public;

13-4 (3) electronic signatures; and

13-5 (4) any other applications that require security.

13-6 (c) If a state agency chooses not to use the project under
13-7 Subsection (b), the agency must provide documentation to the
13-8 authority that shows the services and security required by the
13-9 agency. The authority shall prescribe the documentation required.

13-10 (d) A state agency that chooses to use the project under
13-11 Subsection (b) shall comply with rules adopted by the department,
13-12 including any rules regarding:

13-13 (1) the appearance of the agency's Internet site and
13-14 the ease with which the site can be used; and

13-15 (2) the use of the authority seal.

13-16 (e) A state agency or local government that uses the project
13-17 may charge a fee if:

13-18 (1) the fee is necessary to recover the actual costs
13-19 directly and reasonably incurred by the agency or local government
13-20 because of the project; and

13-21 (2) the authority approves the amount of the fee.

13-22 (f) A local government may not charge a fee under Subsection
13-23 (e) that is otherwise prohibited under Section 195.006 or 195.007,
13-24 Local Government Code.

13-25 Sec. 2054.112. SECURITY REVIEW FOR NEW INTERNET SITES. Each
13-26 state agency shall review its requirements for forms, data
14-1 collection, and notarization when planning to deliver a service
14-2 through the Internet to determine if the information is necessary
14-3 and, if necessary, the appropriate level of authentication. Based
14-4 on this review, the agency shall:

14-5 (1) eliminate any unnecessary requirements; and

14-6 (2) adjust security to the appropriate level for any
14-7 necessary requirements.

14-8 SECTION 6. The project created by Subchapter I, Chapter
14-9 2054, Government Code, as added by this Act, is a continuation and
14-10 expansion of the demonstration project created by Section 2054.062,
14-11 Government Code.

14-12 SECTION 7. Subsection (g), Section 2054.252, Government
14-13 Code, as added by this Act, expires September 1, 2005.

14-14 SECTION 8. (a) Not later than October 31, 2001, the
14-15 officers and other entities responsible for making appointments
14-16 under Section 2054.253, Government Code, as added by this Act,
14-17 shall make their initial appointments.

14-18 (b) The governor shall designate the initial terms so that
14-19 the terms of five members described by Section 2054.253, Government
14-20 Code, as added by this Act, expire on each of the following dates:

14-21 (1) February 1, 2003;

14-22 (2) February 1, 2005; and

14-23 (3) February 1, 2007.

14-24 (c) The TexasOnline Authority may not hold its first meeting
14-25 before November 1, 2001.

14-26 SECTION 9. Not later than November 1, 2002, the TexasOnline
15-1 Authority shall report on the feasibility of allowing the sale or
15-2 placement of advertising on the project described by Section
15-3 2054.252, Government Code, as added by this Act. The authority
15-4 shall provide the report to:

15-5 (1) the presiding officer of each house of the
15-6 legislature;

15-7 (2) the chair of each committee in the legislature
15-8 that has primary jurisdiction over the Department of Information
15-9 Resources; and

15-10 (3) the governor.

15-11 SECTION 10. (a) Not later than April 1, 2002, the
15-12 TexasOnline Authority shall adopt a schedule for implementing
15-13 Section 2054.252, Government Code, as added by this Act. The
15-14 schedule shall permit the initial group of licensing entities to
15-15 perform the functions described by Subsection (a), Section
15-16 2054.252, Government Code, as added by this Act, not later than
15-17 September 1, 2002.

15-18 (b) Not later than January 1, 2003, the TexasOnline
15-19 Authority shall report to the presiding officer of each house of
15-20 the legislature and to the presiding officers of the committees of
15-21 each house of the legislature that have primary oversight
15-22 jurisdiction over the authority or over a licensing entity subject
15-23 to Subchapter I, Chapter 2054, Government Code, as added by this
15-24 Act, on the authority's progress in implementing Section 2054.252,
15-25 Government Code, as added by this Act.

15-26 SECTION 11. (a) Each licensing entity required under this
16-1 Act to establish a profile system shall adopt rules under this Act
16-2 not later than January 1, 2002. The entity shall make the initial
16-3 profiles required under this Act available to the public not later
16-4 than January 1, 2005.

16-5 (b) Each licensing entity required under this Act to
16-6 establish a profile system shall collect the fee prescribed by the
16-7 TexasOnline Authority under Subsection (d), Section 2054.2606,
16-8 Government Code, as added by this Act. The authority shall
16-9 prescribe the amount of the fee not later than January 1, 2002. A
16-10 licensing entity required to collect the fee shall begin collecting
16-11 the fee as part of the entity's license renewal system on that
16-12 date.

16-13 SECTION 12. This Act takes effect immediately if it receives
16-14 a vote of two-thirds of all the members elected to each house, as
16-15 provided by Section 39, Article III, Texas Constitution. If this
16-16 Act does not receive the vote necessary for immediate effect, this
16-17 Act takes effect September 1, 2001.

Appendix B

Senate Bill 645, 77th Legislature

1-1 AN ACT
1-2 relating to the establishment of an electronic system for
1-3 occupational licensing transactions.
1-4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:
1-5 SECTION 1. Chapter 2054, Government Code, is amended by
1-6 adding Subchapter I to read as follows:
1-7 SUBCHAPTER I. ELECTRONIC SYSTEM FOR OCCUPATIONAL LICENSING
1-8 TRANSACTIONS
1-9 Sec. 2054.251. DEFINITIONS. In this subchapter:
1-10 (1) "Licensing authority" means a department,
1-11 commission, board, office, or other agency of the state or a
1-12 political subdivision of the state that issues an occupational
1-13 license.
1-14 (2) "Occupational license" means a license,
1-15 certificate, registration, or other form of authorization that a
1-16 person must obtain to practice or engage in a particular business,
1-17 occupation, or profession.
1-18 Sec. 2054.252. APPLICABILITY. (a) The following licensing
1-19 authorities shall participate in the system established under
1-20 Section 2054.253:
1-21 (1) State Board of Barber Examiners;
1-22 (2) Texas Board of Chiropractic Examiners;
1-23 (3) Texas Cosmetology Commission;
1-24 (4) Court Reporters Certification Board;
1-25 (5) State Board of Dental Examiners;
2-1 (6) Texas Funeral Service Commission;
2-2 (7) Texas Board of Professional Land Surveying;
2-3 (8) Texas State Board of Medical Examiners;
2-4 (9) Board of Nurse Examiners;
2-5 (10) Board of Vocational Nurse Examiners;
2-6 (11) Texas Optometry Board;
2-7 (12) Texas Structural Pest Control Board;
2-8 (13) Texas State Board of Pharmacy;
2-9 (14) Executive Council of Physical Therapy and
2-10 Occupational Therapy Examiners;
2-11 (15) Texas State Board of Plumbing Examiners;
2-12 (16) Texas State Board of Podiatric Medical Examiners;
2-13 (17) Board of Tax Professional Examiners;
2-14 (18) Polygraph Examiners Board;
2-15 (19) Texas State Board of Examiners of Psychologists;
2-16 (20) State Board of Veterinary Medical Examiners;
2-17 (21) Texas Real Estate Commission;
2-18 (22) Texas Appraiser Licensing and Certification
2-19 Board; and
2-20 (23) Texas Department of Licensing and Regulation.
2-21 (b) The comptroller may add additional agencies as system
2-22 capabilities are developed.

2-23 (c) A licensing authority other than an authority listed by
2-24 Subsection (a) may participate in the system established under
2-25 Section 2054.253, subject to the approval of the department.
2-26 Sec. 2054.253. ELECTRONIC SYSTEM FOR OCCUPATIONAL LICENSING
3-1 TRANSACTIONS. (a) The department shall administer a common
3-2 electronic system using the Internet through which a licensing
3-3 authority can electronically:
3-4 (1) send occupational licenses and other documents to
3-5 persons regulated by the authority and to the public;
3-6 (2) receive applications for occupational licenses and
3-7 other documents for filing from persons regulated by the authority
3-8 and from the public, including documents that can be electronically
3-9 signed if necessary; and
3-10 (3) receive required payments from persons regulated
3-11 by the authority and from the public.
3-12 (b) The department may implement this section in phases.
3-13 Each licensing authority that participates in the system
3-14 established under this section shall comply with the schedule
3-15 established by the department.
3-16 (c) The department may use any Internet portal established
3-17 under a demonstration project administered by the department.
3-18 (d) The department may contract with a private vendor to
3-19 implement this section. A contract under this subsection is
3-20 payable only from fees collected under Subsection (e).
3-21 (e) The department shall charge fees in amounts sufficient
3-22 to cover the cost of implementing this section. The department may
3-23 charge:
3-24 (1) a transaction fee for each transaction performed
3-25 on the system; and
3-26 (2) a subscription fee to be paid by each licensing
4-1 authority that participates in the system.
4-2 Sec. 2054.254. STEERING COMMITTEE. (a) The steering
4-3 committee for electronic occupational licensing transactions
4-4 consists of a representative of each of the following, appointed by
4-5 its governing body:
4-6 (1) each licensing authority listed by Section
4-7 2054.252(a); and
4-8 (2) the department.
4-9 (b) The governing body of a licensing authority described by
4-10 Section 2054.252(c) may appoint a representative to the committee.
4-11 (c) A member of the committee serves at the will of the
4-12 authority that appointed the member.
4-13 (d) The representative of the department is the presiding
4-14 officer of the committee. The committee shall meet as prescribed
4-15 by committee procedures or at the call of the presiding officer.
4-16 (e) The committee shall advise the department regarding the
4-17 department's implementation of Section 2054.253.
4-18 (f) Chapter 2110 does not apply to the size, composition, or
4-19 duration of the committee. Any reimbursement of the expenses of a
4-20 member of the committee may be paid only from funds available to
4-21 the governmental entity the member represents.
4-22 SECTION 2. (a) Not later than January 1, 2002, each

4-23 licensing authority listed by Subsection (a), Section 2054.252,
4-24 Government Code, as added by this Act, and the Department of
4-25 Information Resources shall appoint the members of the steering
4-26 committee for electronic occupational licensing¹ transactions.

5-1 (b) Not later than April 1, 2002, the Department of
5-2 Information Resources shall adopt a schedule for implementing
5-3 Section 2054.253, Government Code, as added by this Act. The
5-4 schedule shall permit the initial group of licensing authorities to
5-5 perform the functions described by Subsection (a), Section
5-6 2054.253, Government Code, as added by this Act, not later than
5-7 September 1, 2002.

5-8 (c) Not later than January 1, 2003, the Department of
5-9 Information Resources shall report to the presiding officer of each
5-10 house of the legislature and to the presiding officers of the
5-11 committees of each house of the legislature that have primary
5-12 oversight jurisdiction over the department or over a licensing
5-13 authority listed by Subsection (a), Section 2054.252, Government
5-14 Code, as added by this Act, on the department's progress in
5-15 implementing Section 2054.253, Government Code, as added by this
5-16 Act.

5-17 SECTION 3. This Act takes effect September 1, 2001.

Appendix C

TexasOnline Authority Members

Phil Barrett, Director of the TexasOnline Division, Department of Information Resources, serving as Chair of the TexasOnline Authority for a two-year term.

Charles Bacarisse, Harris County District Clerk, serving as a Local Government Representative for a four-year term.

Cynthia Comparin, Animato Technologies, serving as a Public Representative for a six-year term.

Alex Gonzalez, Partner's Alliance Group, Inc., serving as a Regulated Business/Rural Representative for a four-year term.

Victor Gonzalez, Department of Agriculture, serving as a State Agency Representative for a four-year term.

Reagan Greer, Bexar County District Clerk, serving as a Local Government Representative for a six-year term.

Chuck Henry, Rice University Fondreu Library, serving as a State Agency/Higher Education Representative for a six-year term.

Aurora LeBrun, Health and Human Services Commission, serving as a State Agency/Rural Representative for a two-year term.

Pam Quinn, Dallas County Community College District, serving as a Local Government Representative for a two-year term.

Nancy Rainosek, State Auditor,s Office, serving as an Advisory Member.

Thomas Ruiz, Socorro Independent School District, serving as a Public/Rural Representative for a four-year term.

Ginger Salone, Comptroller of Public Accounts, serving as a State Agency Representative for a two-year term.

Douglas Scott, Radio Shack, serving as a Regulated Business Representative for a two-year term.

Gary Thompson, Texas eCommerce Association, serving as a Public Representative for a four-year term.

William Transier, Ocean Energy, Inc., serving as a Regulated Business Representative for a six-year term.

Vacant, State Agency Representative for a two-year term.

Appendix D

Approved Implementation Schedule

TIER ONE • APPROVED IMPLEMENTATION SCHEDULE		AS OF NOVEMBER 8, 2002	
AGENCY	LICENSE	APPROVED IMPLEMENTATION DATE	LICENSE POPULATION
Texas Real Estate Commission	Individual Brokers License	ONLINE PRIOR TO PROJECT	35,873
	MCE Sales License	ONLINE PRIOR TO PROJECT	56,000
Texas Department of Licensing and Regulation	AC and Refrigeration Contractors	ONLINE PRIOR TO PROJECT	11,481
Board of Nurse Examiners	RN	ONLINE PRIOR TO PROJECT	155,747
	RN/APN	ONLINE PRIOR TO PROJECT	7,597
Texas State Board of Medical Examiners	Physicians	June 2002	51,749
Texas Funeral Service Commission	Funeral Director and Embalmer	May 2002	3,676
	Funeral Director	May 2002	23
	Embalmer	May 2002	512
Texas State Board of Veterinary Medical Examiners	Regular Veterinarian	ONLINE PRIOR TO PROJECT	4,833
	Inactive Veterinarian	ONLINE PRIOR TO PROJECT	974
Texas State Board of Pharmacy	Pharmacist	May 2002	20,362

TIER TWO • APPROVED IMPLEMENTATION SCHEDULE		AS OF NOVEMBER 8, 2002	
AGENCY	LICENSE	APPROVED IMPLEMENTATION DATE	LICENSE POPULATION
Board of Vocational Nurse Examiners	LVN	June 2002	74,000
Texas State Board of Dental Examiners	Dentist	June 2002	13,302
	Hygienist	June 2002	9,275
Executive Council of Physical Therapy and Occupational Therapy Examiners	Physical Therapist	June 2002	6,879
	Physical Therapy Assistant	June 2002	2,672
	Occupational Therapist	June 2002	3,998
	Occupational Therapy Assistant	June 2002	1,143
Structural Pest Control Board	Certified Applicator	June 2002	8,154
	Technician	June 2002	3,254
Texas State Board of Barber Examiners	Barber	June 2002	17,459
Texas State Board of Plumbing Examiners	Master Plumber	June 2002	8,703
	Medical Gas Endorsement—Master	June 2002	630
	WSPS Endorsement—Master	June 2002	155
	Journeyman	June 2002	12,237
	Medical Gas Endorsement—Journeyman	June 2002	928
	WSPS Endorsement—Journeyman	June 2002	98
Texas Cosmetology Commission	Individual License	June 2002	75,534
Texas Department of Licensing and Regulation	Auctioneer	June 2002	2,696

TIER THREE • APPROVED IMPLEMENTATION SCHEDULE

AS OF NOVEMBER 8, 2002

AGENCY	LICENSE	APPROVED IMPLEMENTATION DATE	LICENSE POPULATION
Texas Real Estate Commission	Inspector	January 2003	2,103
	Right of Way Agent	June 2003	893
Texas State Board of Medical Examiners	Physician's Assistant	January 2003	2,367
Texas Board of Chiropractic Examiners	Doctor	January 2003	3,879
	Inactive Doctor	January 2003	639
Texas State Board of Examiners of Psychologists	Licensed Psychologist	January 2003	2,832
	Licensed Psychologist Associate	January 2003	1,182
	Licensed Specialist in School Psychology	January 2003	1,452
	Provisional Licensed Psychologist	January 2003	72
Texas Optometry Board	Optometrist/Specialist	January 2003	3,148
Court Reporters Certification Board	Court Reporter	January 2003	2,900
Texas Board of Professional Land Surveyors	Type 1 Surveyor	January 2003	2,929
	Type 1 Inactive Surveyor	January 2003	344
	Type 2 Surveyor	January 2003	61
	Type 3 Surveyor	January 2003	2
Board of Tax Professional Examiners	Property Tax Professional	January 2003	3,400
Texas Appraiser Licensing Certification Board	Certified General Appraiser	January 2003	1,897
	Certified Residential Appraiser	January 2003	1,565
Texas Funeral Service Commission	Provisional	November 2002	283
Texas Department of Licensing and Regulation	Water Well Drillers and Pump Installers	April 2003	2,028
Board of Podiatric Medical Examiners	Physician	August 2003	775
Texas State Board of Plumbing Examiners	Plumbing Inspector	August 2003	1,060

TIER FOUR • APPROVED IMPLEMENTATION SCHEDULE*

AS OF NOVEMBER 8, 2002

AGENCY	LICENSE	APPROVED IMPLEMENTATION DATE	LICENSE POPULATION
Texas State Board of Plumbing Examiners	Plumber’s Apprentice	N/A	473
	Tradesman Plumber Limited	N/A	0
	Residential Utilities Installer	N/A	34
	Drain Cleaner	N/A	11
	Drain Cleaner Restricted	N/A	11
Texas State Board of Veterinary Medical Examiners	Special	N/A	98
	Provisional	N/A	13
Texas Department of Licensing and Regulation	Boiler Inspector	N/A	83
	Career Counseling Service	N/A	15
	Combative Sports	N/A	241
	Elevator Inspector	N/A	66
	Industrialized Housing and Buildings	N/A	175
	Staff Leasing Services	N/A	76
	Talent Agencies	N/A	66
	Temporary Common Worker	N/A	84
	Transportation Service Provider	N/A	78
	Personnel Employment Service	N/A	354
	Property Tax Consultants	N/A	412
	Texas State Board of Medical Examiners	Acupuncturist	N/A
Acudetox Specialist Permit		N/A	7
Noncertified Radiological Technician Permit		N/A	315
Nonprofit Organization Permit		N/A	105
Institutional Permit		N/A	300
Teaching Faculty Permit		N/A	116
Visiting Professor Permit		N/A	29
Texas Board of Chiropractic Examiners	Radiological Technologist	N/A	249
Texas State Board of Podiatric Med. Examiners	Radiological Technician	N/A	250
Texas Appraiser Licensing Certification Board	Appraiser Trainee	N/A	254
	State Licensed Real Estate Appraiser	N/A	189
	Provisional Licensed Appraiser	N/A	9
Polygraph Examiners Board	Examiner	N/A	215
	Intern	N/A	15

* Tier 4 license renewals are currently not cost-effective to place online because of their small license populations. The TexasOnline Authority has not scheduled them for implementation at this time.

Appendix E

Approved Subscription Fees

TIER ONE • APPROVED SUBSCRIPTION FEES		AS OF NOVEMBER 8, 2002	
AGENCY	LICENSE	BASE LICENSE RENEWAL FEE	APPROVED SUBSCRIPTION FEE
Texas Real Estate Commission	Individual Brokers License	\$500	\$7
	MCE Sales License	\$95	\$3
Texas Department of Licensing and Regulation	AC and Refrigeration Contractors	\$125	\$5
Board of Nurse Examiners	RN	\$45	\$2
	RN/APN	\$95	\$4
Texas State Board of Medical Examiners	Physicians	\$330	\$4
Texas Funeral Service Commission	Funeral Director and Embalmer	\$250	\$10
	Funeral Director	\$125	\$10
	Embalmer	\$125	\$10
Texas State Board of Veterinary Medical Examiners	Regular Veterinarian	\$324	\$5
	Inactive Veterinarian	\$124	\$5
Texas State Board of Pharmacy	Pharmacist	\$227	\$10
	Pharmacy (Profile Only)	\$363	\$10

TIER TWO • APPROVED SUBSCRIPTION FEES		AS OF NOVEMBER 8, 2002	
AGENCY	LICENSE	BASE LICENSE RENEWAL FEE	APPROVED SUBSCRIPTION FEE
Board of Vocational Nurse Examiners	LVN	\$42	\$2
Texas State Board of Dental Examiners	Dentist	\$288	\$5
	Hygienist	\$52	\$3
Executive Council of Physical Therapy and Occupational Therapy Examiners	Physical Therapist	\$200	\$10
	Physical Therapy Assistant	\$150	\$10
	Occupational Therapist	\$200	\$10
	Occupational Therapy Assistant	\$150	\$10
	PT/OT Facilities (Profile Only)	\$200	\$10
Structural Pest Control Board	Certified Applicator	\$80	\$5
	Technician	\$60	\$5
Texas State Board of Barber Examiners	Barber	\$80	\$6
Texas State Board of Plumbing Examiners	Master Plumber	\$175	\$5
	Medical Gas Endorsement—Master	\$50	\$5
	WSPS Endorsement—Master	\$50	\$5
	Journeyman	\$25	\$5
	Medical Gas Endorsement—Journeyman	\$12	\$5
	WSPS Endorsement—Journeyman	\$12	\$2
Texas Cosmetology Commission	Individual License	\$43	\$2
Texas Department of Licensing and Regulation	Auctioneer	\$50	\$5

TIER THREE • APPROVED SUBSCRIPTION FEES

AS OF NOVEMBER 8, 2002

AGENCY	LICENSE	BASE LICENSE RENEWAL FEE	APPROVED SUBSCRIPTION FEE
Texas Real Estate Commission	Inspector	\$25	\$2
	Right of Way Agent	\$150	\$3
Texas State Board of Medical Examiners	Physician's Assistant	\$150	\$5
Texas Board of Chiropractic Examiners	Doctor	\$325	\$5
	Inactive Doctor	\$0	\$0
Texas State Board of Examiners of Psychologists	Licensed Psychologist	\$375	\$5
	Licensed Psychologist Associate	\$85	\$5
	Licensed Specialist in School Psychology	\$30	\$3
	Provisional Licensed Psychologist	\$280	\$5
Texas Optometry Board	Optometrist/Specialist	\$350	\$5
Court Reporters Certification Board	Court Reporter	\$150	\$10
Texas Board of Professional Land Surveyors	Type 1 Surveyor	\$145	\$5
	Type 1 Inactive Surveyor	\$10	\$2
	Type 2 Surveyor	\$185	\$5
	Type 3 Surveyor	\$35	\$3
Board of Tax Professional Examiners	Property Tax Professional	\$50	\$5
Texas Appraiser Licensing Certification Board	Certified General Appraiser	\$250	\$10
	Certified Residential Appraiser	\$200	\$10
Texas Funeral Service Commission	Provisional	\$40	\$4
Texas Department of Licensing and Regulation	Water Well Drillers and Pump Installers	\$200	\$5
Board of Podiatric Medical Examiners	Physician	\$335	\$5
Texas State Board of Plumbing Examiners	Plumbing Inspector	\$50	\$5

TIER FOUR • APPROVED SUBSCRIPTION FEES
AS OF NOVEMBER 8, 2002

AGENCY	LICENSE	BASE LICENSE RENEWAL FEE	APPROVED SUBSCRIPTION FEE
Texas State Board of Plumbing Examiners	Plumber's Apprentice	\$10	\$2
	Tradesman Plumber Limited	\$25	\$2
	Residential Utilities Installer	\$10	\$2
	Drain Cleaner	\$10	\$2
	Drain Cleaner Restricted	\$10	\$2
Texas State Board of Veterinary Medical Examiners	Special	\$324	\$5
	Provisional	\$250	\$5
Texas State Board of Medical Examiners	Acupuncturist	\$250	\$5
	Acudetox Specialist Permit	\$25	\$2
	Noncertified Radiological Technician Permit	\$50	\$5
	Nonprofit Organization Permit	\$1,000	\$10
	Institutional Permit	\$35	\$3
	Teaching Faculty Permit	\$110	\$10
	Visiting Professor Permit	\$110	\$5
Texas State Board of Podiatric Med. Examiners	Radiological Technician	\$25	\$2
Texas Appraiser Licensing Certification Board	Appraiser Trainee	\$75	\$5
	State Licensed Real Estate Appraiser	\$175	\$10
	Provisional Licensed Appraiser	\$175	\$5
Polygraph Examiners Board	Examiner	\$450	\$5
	Intern	\$75	\$5

OTHER LICENSES • APPROVED SUBSCRIPTION FEES
AS OF NOVEMBER 8, 2002

AGENCY	LICENSE	BASE LICENSE RENEWAL FEE	APPROVED SUBSCRIPTION FEE
Texas Department of Insurance	General Agent	\$48	\$3

Appendix F

Project Implementation

Common Occupational Licensing System

There are currently 38 occupational licenses in production. The decision to use a common occupational licensing system emerged out of the need to minimize implementation costs to agencies. The common system works on the idea of economies of scale. Smaller agencies that would not ordinarily be able to afford the costs of implementing their services online are now able to provide online services because of the common system. The standard application gives agencies of all sizes the ability to implement online applications without having to pay for the costs of designing a custom application. In this way, smaller agencies and, indeed, all agencies can now implement online occupational license renewals using a pre-designed template, thus eliminating the enormous costs associated with developing individual applications.

The benefit of using a common system is that it reduces the amount of agency resources that must be expended to place a renewal application online. Using one standard application eliminates the need for each agency to maintain unique hardware and software for the application, operations management services, and support and recovery services. However, because all of the renewal applications use the same template, the state is able to save money by cutting the costs of maintaining and administering occupational license renewal applications. Moreover, agencies can implement online renewals at a much faster rate because applications do not have to be designed for each new application. In this way, TexasOnline was able to implement 23 occupational license renewals in five months. Using a unique template for each agency's renewal application, this process would have taken up to six months to implement just one individually customized application.

Not only are these agencies getting a front-end Web-enabled licensing renewal system, they can also take advantage of the infrastructure already in place through TexasOnline. These services are ones that many of these smaller agencies could not afford on their own. The services include:

- Customer Call Center;
- Payment Center;
- Spanish translation;
- World-class security infrastructure;
- High availability hardware configurations;
- Enterprise database technology;
- State-of-the-art Web application servers and technology;
- Data management and data availability;
- On-site monitoring and operations management;
- Proactive intrusion management; and
- Marketing and business support.

The services make TexasOnline an award-winning portal and make the site a cost-efficient mechanism through which agencies can bring licensing services to their constituencies via the Internet.

Design of Common Occupational Licensing System

As mandated by SB 645, DIR was required to administer a common occupational licensing system for 23 specific occupational licensing agencies. The legislation ordered that these agencies be able to use the Internet to send occupational licenses and other documents as well as to receive applications and payments for occupational licenses and other documents. When deciding how best to implement a common occupational licensing system, the TexasOnline team identified several issues that were common to all agencies.

Agency Involvement

Prior to the legislation in SB 645, the TexasOnline team worked with several agencies to implement their occupational licenses online. These agencies included the Texas Real Estate Commission, Texas State Board of Veterinary Medical Examiners, Texas Department of Insurance, Board of Nurse Examiners, the Texas Commission on Alcohol and Drug Abuse, and Texas Savings and Loan Department. In working with these agencies, the TexasOnline team was able to understand the unique issues that arise when attempting to place occupational licenses applications online. Some of what was learned dealt with the ability of state agencies to provide secure environments for transferring sensitive data and their capabilities in effectively transferring data to and from the agency. By leveraging this experience, the TexasOnline team was able to understand the unique technological requirements that would be essential to the implementation of online applications for the 23 agencies named in SB 645.

During the initial phases of the implementation of SB 645, the TexasOnline team began research into designing a standard application that would incorporate the common elements of all occupational licenses. The TexasOnline team's decision to design a common occupational licensing system was to bring cost-efficiencies to the development, implementation, and maintenance aspects of the project. Consequently, the decision was made to build one standard application to be used for multiple agency applications. This model proved to be the most equitable way to utilize available funding to implement online occupational license renewals for all 23 agencies named in the legislation.

By studying the renewal applications of all 23 agencies, the team was able to design a standard application that would satisfy the minimum amount of information required by all agencies from an applicant. To assure that the standard application would sufficiently meet the needs of agencies placing

license renewals online, the TexasOnline team consulted with the original steering committee. The steering committee was given the opportunity to comment on the standard application and to propose changes to it. Using these comments, the standard application was refined and subsequently approved by the steering committee.

In continuing to work with agencies, the TexasOnline team learned of different requirements that were needed by some agencies but were not a part of the standard application. These changes were added to the template and reviewed with all of the agencies. The final application was then presented to the steering committee, which approved its use by all of the agencies involved in this project.

The intent of using a common occupational licensing template was to standardize the process of renewing occupational licenses given the limited funding available for the project. However, in working with agencies it was determined that they needed the flexibility to ask for certain information in a format compatible with their business requirements. Each agency also had requirements that were unique to the agency that had to be conveyed to its applicants. For example, it was discovered early on that some agencies prefer to have the applicant's home address while others required applicants to have an established business address. Additionally, some agencies require certain credits (in terms of classes) to be completed while others define these requirements in terms of hours completed. If the template did not allow for flexibility, users may not be able to accurately transfer their accreditation information, thus complicating the license process for the agencies and the license holders.

By adding these customizations to the standard application and to the format of online applications, the online licensing process allows for the template to encompass more features while keeping the template uncomplicated in terms of usability. Moreover, the common system can evolve to meet

the needs of all agencies participating in this initiative.

Benefits of Using a Common Licensing System

There are many benefits to using a common occupational licensing system. All of these factors, as discussed below, allow agencies to have their applications online in less time and with fewer disruptions to the daily business activities of the agency.

Cost Savings

It was decided early on that a common occupational licensing system would be beneficial to the state and to agencies for several reasons. A common system should allow cost savings to the state and to DIR by providing economies of scale through cost reductions in the development process. By developing one standard application that all of the occupational licensing agencies must use, fewer dollars have to be expended customizing a unique Internet application for each agency. Through the initial process, the TexasOnline team was able to identify several information needs common to all of the agencies, specifically: name, address, contact information, and the ability to record continuing and prior educational experience. These common data elements were incorporated into the standard application so that each agency could capture this essential information from the user in the same way. In doing so, the state was able to save the money that would otherwise be used towards designing online applications specific to each agency.

Now, with this common occupational licensing system available, TexasOnline can develop other occupational license renewals for the average cost of \$15,191. Additional annual operations and infrastructure costs of \$7,310 and annual credit card and electronic transaction costs of \$5,920 would also

be incurred for any future occupational license wanting to come on TexasOnline. By using this common occupational licensing system, the state should be able to save money to bring other occupational licenses online since many of the infrastructure costs are already sunk, and each agency would not have to incur the same expenses.

Customization Abilities

Although agencies are given a common template for placing occupational licenses online, each agency is given the opportunity to customize certain aspects of the standard application to suit the needs and requirements of the agency. The standard application was designed to allow maximum flexibility so that each agency can decide what level of information it requires. For example, where the application asks for the user's address, the agency can decide whether it wants a home, business, or permanent address, or all of the above. The standard application is customizable enough to allow agencies to choose how they want information presented to them. In addition, there are several areas on the standard application that allow agencies to insert their own informational text regarding issues, such as eligibility requirements, or to ask questions of the applicant. This allows the agency to retain control over the information that it needs to receive in order to thoroughly process each occupational licensing application. Moreover, the ability to customize aspects of the application assures that the unique requirements of each agency are met.

Adaptability

The common template used for occupational licenses was designed to allow for the maximum adaptability of this standard application for use on applications other than license renewals. The goal is to use this standard application as a foundation to design permit applications and facilities licensing applications. Using this common system when designing future applications, the state will save on development costs. By eliminating the need to design

a custom approach for each new application, the cost of placing applications online will be minimal. In addition, agencies will be able to place applications online in a shorter amount of time because they will not have to endure the time it takes to custom design an online renewal application.

Several agencies have expressed an interest in placing new occupational license renewals online. The process for placing these future applications online will not be as demanding as the initial process. The standard application that is currently in use will be able to be re-used for these applications. By eliminating the need to design a template for each new application, the cost of placing applications online will be significantly reduced. In addition, agencies will be able to place applications online in a shorter amount of time because they will not have to endure the time it takes to custom design an online renewal application.

Re-using the standard application will also make it more feasible to make changes to the template and to make changes to individual applications, as agencies and developers are already familiar with administering this application. Therefore, while the common occupational licensing system will evolve to meet the needs of all agencies using online applications, the template structure will remain uniform and consistent across applications.

Ease of Use and Common Look and Feel

The usability of the common licensing application is a major advantage of using a common licensing template. Providing users with a common look and feel throughout the application process and for various applications ultimately streamlines the application process. Providing a common look and feel to applications will also ensure that future applications for permits and facilities licensing will have a similar standard. When users become comfortable using the online method of license renewal, the adoption rate for online applications will increase. This will be in keeping with the mission of

TexasOnline to be a single point of access to government and public information and services.

Summary

During the implementation of the common occupational licensing project, the TexasOnline team has learned many valuable lessons about the needs of agencies and the capabilities of the TexasOnline infrastructure. These insights have helped improve the nature of the project to provide the most convenience to agencies and citizens as well as a cost savings to the state. This will ultimately improve the efficiency of TexasOnline in placing agency license renewals and applications online while allowing the agencies themselves to experience minimal disruptions to their business services.

Appendix G

Approved vs. Actual Implementation Dates

APPROVED VS. ACTUAL IMPLEMENTATION DATES		AS OF NOVEMBER 18, 2002	
AGENCY	LICENSE	APPROVED	ACTUAL
Texas Real Estate Commission	Individual Brokers License	ONLINE PRIOR TO PROJECT	9/18/00
	MCE Sales License	ONLINE PRIOR TO PROJECT	9/18/00
	Inspector	1/02	11/03/02
Texas Department of Licensing and Registration	AC and Refrigeration Contractors	ONLINE PRIOR TO PROJECT	9/11/00
	Auctioneer	6/02	7/02/02
Board of Nurse Examiners	RN	ONLINE PRIOR TO PROJECT	2/28/02
	RN/APN	ONLINE PRIOR TO PROJECT	2/28/02
Texas State Board of Medical Examiners	Physician	6/02	11/03/02
	Physician's Assistant	1/03	EST. 1/15/03
Texas Funeral Service Commission	Funeral Director and Embalmer	5/02	10/27/02
	Funeral Director	5/02	10/27/02
	Embalmer	5/02	10/27/02
	Provisional	11/02	10/27/02
Texas State Board of Veterinary Medical Examiners	Regular Veterinarian	ONLINE PRIOR TO PROJECT	1/08/02
	Inactive Veterinarian	ONLINE PRIOR TO PROJECT	1/08/02
Texas State Board of Pharmacy	Pharmacist	5/02	10/18/02
Board of Vocational Nurse Examiners	LVN	6/02	7/12/02
Texas State Board of Dental Examiners	Dentist	6/02	7/18/02
	Hygienist	6/02	7/18/02
Executive Council of Physical Therapy and Occupational Therapy Examiners	Physical Therapist	6/02	6/30/02
	Physical Therapy Assistant	6/02	6/30/02
	Occupational Therapist	6/02	6/30/02
	Occupational Therapy Assistant	6/02	6/30/02
Structural Pest Control Board	Certified Applicator	6/02	10/16/02
	Technician	6/02	10/16/02
Texas State Board of Barber Examiners	Barber	6/02	6/30/02
Texas State Board of Plumbing Examiners	Master Plumber	6/02	7/17/02
	Medical Gas Endorsement—Master	6/02	7/17/02
	WSPS Endorsement—Master	6/02	7/17/02
	WSPS Endorsement—Master Journeyman	6/02	7/17/02
	Medical Gas Endorsement—Journeyman	6/02	7/17/02
	WSPS Endorsement—Journeyman	6/02	7/17/02

* The Texas State Board of Medical Examiners has opted not to comply with the Authority's implementation schedule. Subsequently, the implementation date for this license cannot be estimated.

APPROVED VS. ACTUAL IMPLEMENTATION DATES

AS OF NOVEMBER 18, 2002

AGENCY	LICENSE	APPROVED	ACTUAL
Texas Cosmetology Commission	Individual License	6/02	6/30/02
Texas Board of Chiropractic Examiners	Doctor	1/03	EST. 1/15/03
	Inactive Doctor	1/03	EST. 1/15/03
Texas State Board of Examiners of Psychologists	Licensed Psychologist	1/03	EST. 1/06/03
	Licensed Psychologist Associate	1/03	EST. 1/06/03
	Licensed Specialist in School Psychology	1/03	EST. 1/06/03
	Provisional Licensed Psychologist	1/03	EST. 1/06/03
Texas Optometry Board	Optometrist/Specialist	1/03	11/07/02
Court Reporters Certification Board	Court Reporter	1/03	11/17/02
Texas Board of Professional Land Surveyors	Type 1 Surveyor	1/03	11/03/02
	Type 1 Inactive Surveyor	1/03	11/03/02
	Type 2 Surveyor	1/03	11/03/02
	Type 3 Surveyor	1/03	11/03/02
Board of Tax Professional Examiners	Property Tax Professional	1/03	1/15/03
Texas Appraiser Licensing Certification Board	Certified General Appraiser	1/03	EST. 1/05/03
	Certified Residential Appraiser	1/03	EST. 1/05/03

Appendix H

License Renewals Not Cost Effective to Implement at this Time

RENEWALS NOT CURRENTLY COST EFFECTIVE*		AS OF NOVEMBER 8, 2002
AGENCY	LICENSE	
Texas State Board of Plumbing Examiners	Plumber's Apprentice	
	Tradesman Plumber Limited	
	Residential Utilities Installer	
	Drain Cleaner	
	Drain Cleaner Restricted	
Texas State Board of Veterinary Medical Examiners	Special	
	Provisional	
Texas Department of Licensing and Regulation	Boiler Inspector	
	Career Counseling Service	
	Combative Sports	
	Elevator Inspector	
	Industrialized Housing and Buildings	
	Staff Leasing Services	
	Talent Agencies	
	Temporary Common Worker	
	Transportation Service Provider	
	Personnel Employment Service	
	Property Tax Consultants	
Texas State Board of Medical Examiners	Acupuncturist	
	Acudetox Specialist Permit	
	Noncertified Radiological Technician Permit	
	Nonprofit Organization Permit	
	Institutional Permit	
	Teaching Faculty Permit	
	Visiting Professor Permit	
Texas Board of Chiropractic Examiners	Radiological Technologist	
Texas State Board of Podiatric Medical Examiners	Radiological Technician	
Texas Appraiser Licensing Certification Board	Appraiser Trainee	
	State Licensed Real Estate Appraiser	
	Provisional Licensed Appraiser	
Polygraph Examiners Board	Examiner	
	Intern	

* These renewal licenses comprise Tier 4 of the implementation schedule for the common occupational licensing system. Due to their small license populations, Tier 4 license renewals are not cost-effective to place online and the TexasOnline Authority has not scheduled them for implementation at this time.

Appendix I

Subscription Fees Collected

SUBSCRIPTION FEES COLLECTED		AS OF NOVEMBER 22, 2002
AGENCY	FEES COLLECTED TO DATE BY DIR	
Texas Real Estate Commission	\$39,780	
Texas Department of Licensing and Regulation	\$19,325	
Texas State Board of Plumbing Examiners	\$18,388	
Structural Pest Control Board	\$22,555	
Texas State Board of Barber Examiners	\$6,810	
Texas State Board of Medical Examiners	\$85,724	
Texas State Board of Dental Examiners	\$56,723	
Texas Cosmetology Commission	\$212	
Board of Nurse Examiners	\$83,533	
Texas Board of Chiropractic Examiners	\$5,705	
Board of Vocational Nurse Examiners	\$18,000	
Texas State Board of Podiatric Medical Examiners	\$3,975	
Texas Optometry Board	\$15,725	
Texas State Board of Pharmacy	\$86,700	
Texas State Board of Examiners of Psychologists	\$15,718	
Executive Council on Physical Therapy and Occupational Therapy Examiners	\$49,465	
GRAND TOTAL	\$258,338	

Glossary

Adoption rates

The number of current users of an application divided by the total eligible population for that application. This calculation is used to measure the user population's acceptance of the application.

Connectivity

Communications networks or the act of communicating between computers and terminals.

Firewalls

A method of keeping a network secure from intruders. Firewalls are used to give users secure access to the Internet as well as to separate an entity's public Web server from its internal network.

Front-end

This is the input side in a system. May refer to the graphical interface on a user's workstation or to a communications system, where all the data is entered.

Occupational License

An occupational license is a license, certificate, registration, or other form of authorization that a person must obtain to practice or engage in a particular business, occupation, or profession.

Permits

An authorization by a license, certificate, registration, or other form that is required by law or state agency rules to engage in a particular business.

Portal

A Web super site that provides services including Web searching, news, white and yellow pages directories, links to other sites, and other services.

SB 187

Legislation enacted in 2001 that established TexasOnline as a permanent project, established the TexasOnline Authority, and established the subscription fee model for occupational licenses.

SB 645

Legislation enacted in 2001 that required 23 occupational licensing agencies to participate in a common electronic licensing system.

Acknowledgments

The TexasOnline Authority appreciates the efforts of everyone who contributed to this report. The Authority would like to thank staff from the occupational licensing agencies and the Department of Information Resources for their efforts in making this project a success.

Occupational Licensing Agencies

- State Board of Barber Examiners
- Texas Board of Chiropractic Examiners
- Texas Cosmetology Commission
- Court Reporters Certification Board
- State Board of Dental Examiners
- Texas Funeral Service Commission
- Texas Board of Professional Land Surveying
- Texas State Board of Medical Examiners
- Board of Nurse Examiners
- Board of Vocational Nurse Examiners
- Texas Optometry Board
- Texas Structural Pest Control Board
- Texas State Board of Pharmacy
- Executive Council of Physical Therapy and Occupational Therapy Examiners
- Texas State Board of Plumbing Examiners
- Texas State Board of Podiatric Medical Examiners
- Board of Tax Professional Examiners
- Polygraph Examiners Board
- Texas State Board of Examiners of Psychologists
- State Board of Veterinary Medical Examiners
- Texas Real Estate Commission
- Texas Appraiser Licensing and Certification Board
- Texas Department of Licensing and Regulation

TexasOnline Authority Members

- Phil Barrett, Department of Information Resources, Chair
- Charles Bacarisse, Harris County District Clerk
- Cynthia Comparin, Animato Technologies
- Alex Gonzalez, Partner's Alliance Group, Inc.
- Victor Gonzalez, Department of Agriculture
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- Thomas Ruiz, Socorro Independent School District
- Ginger Salone, Comptroller of Public Accounts
- Douglas Scott, Radio Shack
- Gary Thompson, Texas eCommerce Association
- William Transier, Ocean Energy, Inc.

Department of Information Resources

- Carolyn Purcell, Chief Information Officer, State of Texas
- Genice Mancini, Project Leader
- Erik Freymuth, Tim Kennedy, Allan Martin, Renee Mauzy, Vanessa Mitra, Lisa Nowotny, Vidhya Sriram, Kevin Tanner

Other Contributors

- Department of Insurance
- Department of Public Safety



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Department of Information Resources

Post Office Box 13564, Austin, TX 78711

512-475-4700, 512-475-4759 (fax)

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