CENTER FOR DIGITAL GOVERNMENT

Issue Brief

Licensing, Permits and Regulation

Workflow automation and collaborative electronic plan review improve productivity and reduce costs

What is it?

State and local governments now have access to technology that automates the workflow of license and permit issuance while making it easier to maintain compliance with an ever-growing set of government regulations. This technology enables more efficient government, improved levels of service from the government to its constituents and reduced costs. Adoption of this technology, which typically began with the largest municipalities, is now taking place throughout small and medium-sized counties, cities and towns.

Why is it important?

State and local governments are under pressure to deliver citizen services including a variety of licensing and permitting activities despite widespread erosion of the tax base, declining revenues, and in many cases, painful staff reductions. Ironically, licensing and permitting are revenue-generating services that have the potential to buffer local governments against further contraction. Delivering these services in an efficient manner and maximizing the effectiveness and timeliness of the revenue stream is therefore a priority for many counties, cities and towns.

At the same time, government regulation of building and land management is increasing. Various regulations from federal agencies, state agencies and local codes must be complied with, creating a complex and often confusing situation for businesses and individuals. Much of the burden of implementation and enforcement of this regulation falls upon the local governments that are the primary interface with the business or consumer.

Why now?

Many state and local governments are now considering licensing and permitting automation for one or more of the following reasons:

- Tough economic times have forced an overall reconsideration of their priorities, organizational design and/or processes.
- Shrinking federal and state subsidies have forced many counties, cities and towns to more closely examine their existing and potential revenue streams.
- There is only so much room to raise local tax rates.
- Staff reductions have led to critical loss of expertise; post-layoff, remaining staff members need smarter, more efficient tools to perform the specialized functions the departed staff members were trained to do.
- Population growth in some areas has resulted in a natural increase in licensing and/or permitting activity that outpaces the capacity of labor-intensive, manual processes.
- Previous technology investments are depreciating and becoming obsolete.
- Complexity of government regulation has increased, complicating the licensing and permitting process to the point where greater automation is desirable.

It makes sense that periods of economic recovery, such as the one we are entering, are good times to automate previously labor-intensive processes. The rationale is that revenue-generating activities such as applying for building permits tend to occur in greater volumes during times of recovery, therefore yielding greater productivity gains. Conversely, maintaining manual processes during times of growth and recovery tends to exacerbate government inefficiency.

Now more than ever, regulation plays a role in the demand for process automation. In the realm of building and land management alone, regulations exist surrounding land use and zoning, liquid waste, fire safety, groundwater impact, pollution and a variety of other concerns. These individual regulations, each created out of some legitimate concern for people and/or the environment, become complex and often cumbersome when taken together. In many cases, regulations created by federal and state agencies must be implemented and enforced by local governments.

For example, consider the Environmental Protection Agency's (EPA) National Pollutant Discharge Elimination System (NPDES) regulations. The NPDES established two phases for its municipal stormwater permit program. In the first phase, implemented in the 1990s, the regulations impacted large cities, state departments of transportation and large county-owned stormwater systems. In the program's second phase, smaller counties, cities and towns across America were required to adopt and enforce a Soil Quality Best Management Practices (BMP) to be in compliance with EPA regulations.

What are the benefits?

Workflow automation and collaborative plan review offer many benefits to the parties involved.

Benefits to local governments:

- Reduced administrative processing times
- Elimination of duplicate data entry and maintenance
- Reduced cost through elimination of overtime
- Improved data integrity
- Greater citizen interaction and satisfaction
- Increased cash flow through more timely collection of fees
- Improved regulatory compliance and reporting
- Reduced risk of regulatory non-compliance and related expense

Benefits to businesses and consumers:

- Reduced travel time and expense
- Less paperwork and hassle
- More responsive government
- Easier regulatory compliance
- Reduced risk of regulatory non-compliance and related expense

Consider the generic process outlined below for building permit issuance. While each municipality may have slightly different needs, the overall process will be familiar across a wide range of jurisdictions. Workflow automation and collaborative plan review delivers benefits throughout the end-to-end process. In some cases, a transaction that once took weeks to process in a manual, paper-based format can now be conducted in a matter of hours or days.

Example of Workflow Automation Benefits, Step-by-Step:

Process Step	Improvement from Automation
Applicant travels to government office	Travel expense and time eliminated — transaction takes place online
Applicant identifies proper forms	Forms appear automatically based on application type entered
Applicant fills out paper forms	Online form eliminates handwriting issues
Clerk verifies procedure follows correct business processes	Step eliminated: the proper business logic is built into system
Clerk receives and verifies all forms and supporting documents	No lost paperwork, everything online
Clerk refers to fee schedule to calculate application fees	Fees calculated automatically
Clerk enters application into one or more databases	Step eliminated: No need to re-enter information applicant already provided
Reviewer receives forms and supporting documents	Automatic routing saves time
Reviewer conducts building and zoning review	Reviewer can ask applicant for any clarifications through online system, eliminating further travel
Clerk refers to schedule to calculate and collect permitting fees	Fees calculated automatically
Clerk issues and prints permit	Permit issued faster, with less elapsed time for total transaction, with all steps documented and archived

What are the savings?

The following is a sampling of results achieved by municipalities that have automated their licensing and permitting processes:

- 40 percent to 60 percent of building permits issued online
- 60 percent of other types of permits (mechanical, electrical and plumbing) issued online
- 95 percent reduction in overtime related to the application review process
- 37 percent reduction in plan review time
- 11 percent increase in building permit revenue

Conclusion

Licensing and permitting are important functions to local governments. In addition to being part of an overall process that ensures the health and safety of the government's constituents, these activities represent both a revenue source and a regulatory burden for municipalities across America.

At a difficult economic time, when many municipalities — like many Americans — are being forced to do more with less, technology for workflow automation has the potential to improve productivity while reducing cost. Interestingly, there is arguably no better time to reap the benefits of workflow automation than while entering a period of economic recovery, when the volume of permitting and licensing activity is likely to increase.

The recent maturation of workflow automation solutions means that this technology is now accessible to a broader range of municipalities than ever before, at a time when the increasing complexity of government regulation demands more careful enforcement and transparency than ever before. Small to medium-sized counties, cities and towns are now, like their larger peers, well positioned to benefit from this category of technology solutions.

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