

## Questions & Answers about the Proposed License System and Other IT Solutions Update



December 2021

### What is being proposed?

To ensure the continued modernization and delivery of several information technology (IT)-based services, the Department is investigating the potential for next-generation IT-based solutions. The core of this request is license delivery and support. Other services such as smart device applications, enhanced law enforcement support, and other customer-centric features and support services are being considered to best meet customer needs and ensure optimal effectiveness into the foreseeable future. This would involve contracting with a third-party vendor to provide the selected services, including several features the Department (state) is currently not able to deliver and maintain due to regulatory restrictions, time availability, and staffing issues. Numerous other states have been able to cost-effectively provide these additional features and services that customers now demand, by contracting with companies who specialize in delivering these types of services.

Currently, the Department is proposing some simple changes to its licensing regulations that would allow for a third-party vendor to deliver licensing on contract with the Department. The Kentucky Fish & Wildlife Commission (regulation-setting board for the Department) is reviewing the proposed regulation changes for possible action in the near future, but not immediately. If a competitive bidding and evaluation process resulted in a successful vendor being selected, the likely timeline for development of the new licensing system and any other agency selected services would be late 2022 into 2023, with deployment of a new system probably taking place late in 2023 or early 2024.

### Would I still be able to buy my hunting or fishing license and permits at Walmart or another local retailer who sells them?

Yes, local license agents would continue to sell licenses and permits just as before. Customers will also continue to be able to purchase online and by telephone, but a new mode of license delivery would be through a department smart device “app.”

### What benefits would the proposed changes yield to the customer and Department?

Customers would receive numerous services that they currently do not, and which the Department cannot provide. These services have been requested by customers for many years. Just a few of these include a smartphone app with many robust features, auto-renewal option for licenses and permits, and a “hard card” license option.

Another benefit would be feature availability. Typically, vendors in this market use cloud-based and multi-path network services to maximize the availability of the solutions offered. Their flexibility as private-sector businesses allows them to deliver best-available technology with costs kept at a minimum through innovation and competition. Specifics about potential beneficial features will be restricted to the RFP and resulting bids.

The Department would benefit by delivering features and services that are currently expected by its customers, based on increasing rates of smart device usage and experiences of many customers with other states' modernized licensing systems. Other state fish and wildlife agencies that have used state-of-the-art, third-party licensing and related IT solutions are able to harness best available technology to sell and renew more licenses, creating a better and more predictable revenue stream. This means more license and permit funds are available for supporting agency programs, and for obtaining additional federal grant dollars to sustain the Department's conservation and recreation programs into the future.

### What is the history of this proposal?

In 2018-2019, the Department began a focused effort at identifying customer services that would benefit from modernization. In 2019, the Kentucky Fish and Wildlife Commission discussed these at 3 successive public committee meetings. Three priorities for modernization to optimize customers' experiences with both their purchases and activities in the field or on the water were identified and communicated: 1) redesigning the agency's website, 2) creation of a smart-phone app, and 3) pursuing a state-of-the-art licensing system. The Department's website redesign was completed in 2020 and public feedback about it has been overwhelmingly positive. Preliminary research into the other two modernization priorities—including conferral with other state fish and wildlife agencies to determine the status of their licensing systems and best practices—determined that both could be accomplished by transition to a third-party licensing and IT-solutions vendor, in the interest of improved customer service and financial solvency. Staff research indicated that this would require some amendments to the department's licensing regulations. In June 2021 at the quarterly Commission meeting, Department staff proposed as a New Business item the required updates to licensing regulations. At the next quarterly meeting in September, the topic was taken up as a Discussion Item and discussed more extensively. It was then listed as an Action Item on the agenda of the Commission's quarterly meeting in December 2021, and after further discussion, it was tabled to allow more opportunity for review and answering stakeholder questions about the proposed changes.

### If approved, when would proposed changes take effect?

If the proposed regulation amendments are approved, the regulation changes would likely take effect in summer-fall 2022 after completion of the standard state regulation promulgation process. However, these changes would not create a new licensing system, but rather *allow for them* at some future time within the state regulations framework.

The next step in the Department's investigation into the feasibility of third-party IT vendor options would be issuing a detailed Request for Proposals (RFP) following the official state procurement laws and policies. This step would result in receiving detailed bids from prospective vendors who would be competing for the opportunity to sell the Department's licenses and permits and deliver other services. Proposals (bids) would specify how the prospective vendors would deliver the required services and features (as well as optional items) and the corresponding fees they would be seeking in return.

If a suitable proposal from a bidder was accepted and a contract was signed with that third-party vendor, the new licensing system and other prescribed IT services would then be developed and deployed. Based on other states' experiences and timelines, this process would likely be completed by late 2023 or early 2024.

How would the Department ensure that the licensing system works properly and meets its customers' needs?

The contract with the licensing vendor would follow state procurement laws and policies, and terms and conditions would be clearly defined. A key factor for evaluating bids for the contract would be (verifiable) success of the prospective vendors in development, deployment and operation of similar licensing systems in other states. The Department's IT staff, in consultation with other applicable state agency experts, would work closely with the licensing vendor under contract to develop the new system, and monitor its functionality over time to ensure success.

What is the experience of other states who have made similar changes?

Numerous states have transitioned to vendor-provided systems to improve customer service and cost effectiveness of IT service delivery. Other states' licensing professionals and administrators, as well as their customers, have reported very positive results in terms of revenue and customer satisfaction. Many other states who have not already made this change are in the process of doing so now. The Department now has the benefit of learning from other states' experiences to ensure the best possible new system.

Doesn't our current licensing system work just fine as it is--why are changes necessary?

The Department's current licensing system works well for basic sales of licenses and permits. However, as outlined above, there are numerous services that customers want today and features that the department needs to be as effective as possible in carrying out its mission, but these features can't currently be accommodated within the legal and logistical constraints of state government. Contracting with a private business would allow the Department to produce these services. Another consideration is long-term sustainability of a state-run licensing system, when it is increasingly difficult to recruit and keep IT professionals; the Department's IT staff has dwindled in recent years because of several retirements and staff members going to other employers, and the state simply can no longer compete with private industry in terms of salaries and benefits offered to IT professionals.

What would the Department's IT staff be responsible for if some solutions are supplied by a vendor?

Since 1996, the Department has continually developed and maintained IT-based solutions to fulfill the needs of the staff and the customers they support. The IT staff currently spends the vast majority of its time simply *maintaining* these applications. As a result, development of *new* applications and *enhancement* of the current applications to improve services to staff and other users has been significantly hindered. By transferring some solutions to a vendor, department IT staff would be able to concentrate on new internal initiatives and enhancements of the many applications not supplied by the contract vendor, including management of important internal databases and maintaining the agency website. IT staff would also work with the selected vendor over the life of the contract to ensure the integration, functionality, and enhancements of the IT-based services and information.

Will customers notice a difference in how they purchase licenses?

The Department's IT staff and contract vendor's development staff would work diligently during development of new licensing and related IT solutions to create a seamless experience for customers. With the addition of new features and support options for

customers, some minor changes may be introduced, but the main experience and view to the customer will be essentially the same. Purchases at a point-of-sale license agent such as a “big box store” or local sporting goods shop, or online through the department’s website, would by design appear essentially the same to the customer.

#### How would the proposed changes affect local license agents?

License agents would continue to interact with the licensing system as they always have, but they would receive a small increase in their commission (payment) per license or permit sold to better compensate them for increases in costs associated with selling licenses and permits. This agent commission has not increased for many years, despite increased costs to license agents including providing their own computers, printers, paper, ink, and customer service—costs to them that have increased over time. Currently, the license agent commission is 50 cents per license or permit sold. The Department is proposing to change that to a percentage-based commission (no more than 3%), with the exact amount determined by the outcome of the RFP competitive bid process and resulting vendor contract. License agents can currently elect to pass along credit card fees to customers. The proposed changes would cover the credit card fees and other costs, so all customers would pay the same amount for the same licenses purchased, no matter the mode of purchase.

#### How much will this initiative cost the Department?

The new license delivery system and other IT solutions included in the contract would be market-driven rather than subsidized by the Department. In other words, the Department would not pay directly for the development of the new licensing system, smartphone app, and other services, but rather the contracted vendor would incur those costs upfront and realize returns on their investments over time. Thus, there is an incentive to the vendor to maximize service delivery and support in order to garner and retain license customers.

#### How would proposed changes impact the cost of purchasing licenses and permits?

The current prices of licenses and permits, as listed online and in Department publications, would not change. There would be addition of a small fee to cover operational support and license agent commission. This fee would ensure license agents cover their cost for the delivery of licenses as well as offset cost of operation and support. Depending on the licenses and permits purchased, most customers would see a small increase in total cost at the time of purchase. The exact amount of the total operational fee will be determined through the RFP and contract negotiation process, but the Department would ensure that the fees are low and similar to those of other states using a third-party licensing vendor. Many other states who still administer their own internal licensing systems have begun charging small processing fees in order to help offset the costs of credit card fees, staffing, IT hardware, website hosting, database development and data storage, and other rising infrastructure costs involved with selling licenses and permits.