# Regulatory Reform: A Win-Win-Win for Agencies, Businesses, and Taxpayers

**Briefly**

- Since 2011, the state auditor's office (SAO) has been looking at regulatory reform.

- In 2015, it found that Washington does not take a strategic approach to multi-agency coordination.

- In 2013, the SAO found that for 60 percent of all permits, agencies did not provide information on how long it would take to come to a decision.

- Processing times were tracked by agencies for only 62 percent of business permits.

- In 2012, the SAO found that although Washington has three central business websites, none of them provided complete regulatory information.

- The SAO recommends developing a long-term strategy for streamlining regulatory processes through better coordination.

- It recommends that agencies reduce duplication, promote concurrent reviews of applications, make sure regulatory requirements are compatible, and make use of performance measures.

- The 2013 audit recommended that each agency should measure permit decision times and provide businesses with estimates of processing times.

- The 2012 audit recommended creating a one-stop shop for all business transactions with the state.

- Additionally, all agencies should "provide complete and accurate information for all business licenses and permits on their websites."

Businesses must comply with regulations at every layer of government, and the costs of doing so add up. As of 2012, the cost of U.S. federal regulations totaled $2.028 trillion (Crain and Crain 2014). Insofar as the number and burdensomeness of those regulations differ at state and local levels, they can affect an area's competitiveness. As Opportunity Washington notes, ". . . the costs of regulatory compliance have a direct impact on investment and job creation" (OW 2015). While in many cases the goals of regulation are laudable, all too often the processes put in place to reach these goals are not cost effective.

Since 2011, the state auditor's office (SAO) has issued a series of reports on regulatory reform. We wrote about the first two pieces in a 2012 policy brief, "A Complex Maze of State and Local Laws and Regulations." That brief covered the inventory of state regulations that the SAO created in 2011 and a 2012 performance audit that looked at how agencies communicate regulatory information to businesses and whether agencies have processes in place to streamline those regulations.

Since then, the SAO has published two additional performance audits on regulatory reform. In 2013, it looked at improving permit timeliness. And most recently it looks at how regulatory agency coordination could be enhanced.

## Agency Coordination

Last month the SAO found that "Washington does not have a strategic approach to identify and prioritize new opportunities for . . . multi-agency coordination" (SAO 2015). The performance audit considers how agencies coordinate regulatory approvals for three hypothetical projects and compares their efforts with leading practices.

These leading practices include:

- Transparent regulatory requirements,

- Active promotion of coordination among agencies,

- Written coordination policies,

- Consistent regulations across agencies,

- Concurrent regulatory reviews,

- Sharing of information among agencies, and

- Performance measures.

The audit points to three initiatives in the state that have applied these leading practices and improved agency coordi-

nation: the Transportation Permit Efficiency and Accountability Committee, the Shellfish Interagency Permitting team, and the Seattle Restaurant Success Initiative.

The 11 agencies involved in the SAO's three hypothetical projects were found to be less likely to use leading practices than the three successful initiatives. In particular, the approval processes for the hypothetical projects seldom included interagency outreach to promote coordination, written policies, concurrent regulatory activities, interagency information sharing, or the participation of local agencies.

Overall, the audit found that "one important difference between the three successful initiatives and agency coordination in our three projects was the absence of structured coordination" (SAO 2015). Instead, much of the existing coordination "is based on existing relationships between staff at the various agencies, rather than systematic practice" (SAO 2015).

The SAO's recommendations are first predicated on the assignment by the Legislature of a lead agency. The audit suggests that the Governor's Office for Regulatory Innovation and Assistance (ORIA) could fill this role. (The ORIA budget has declined in recent years, however. It spent $3.6 million in 2009–11, $2.9 million in 2011–13, and $2.4 million in 2013–15.)

The lead agency, the SAO recommends, should "develop a long-term strategy for identifying and prioritizing multi-agency regulatory processes that can be streamlined through better coordination" (SAO 2015). This would be rooted in industry needs, importance to the state, and potential for savings—for both the state and the businesses involved. Additionally, the lead agency should work with agencies to "establish written policies and protocols for coordinating" and "identify structured communication channels between agencies" (SAO 2015).

Chart: ORIA Budget (Dollars in Millions)
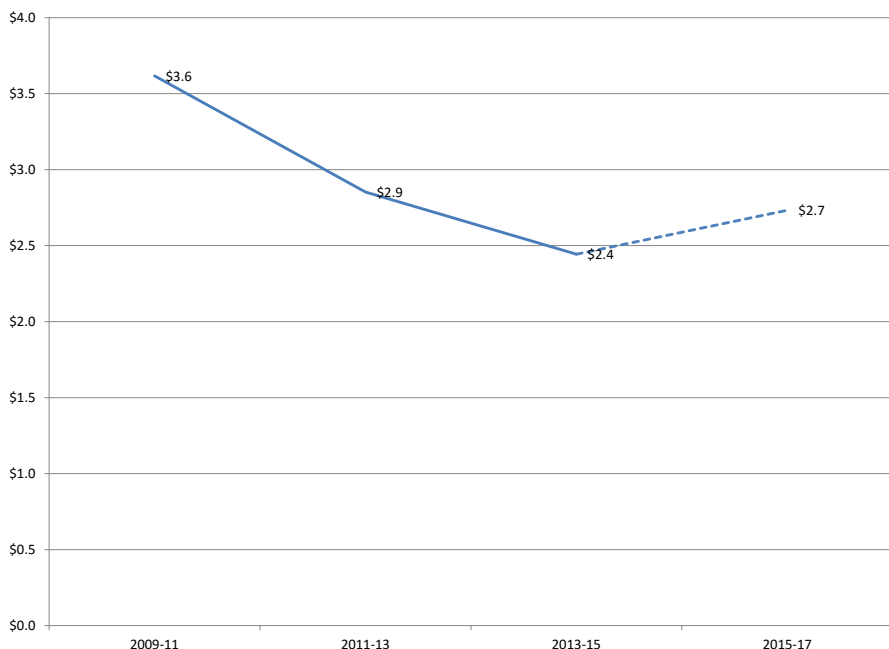


Note: The 2015–17 amount is still tentative.

**The SAO's recommendations will be most beneficial to businesses if they are implemented completely, rather than piecemeal.**

Importantly, the SAO also recommends that agencies develop methods for sharing applicant information in order to reduce duplication, promote concurrent reviews of applications, make sure regulatory requirements are compatible, and make use of performance measures.

Some permitting processes that ostensibly meet these recommendations are already in place. For example, the state currently has an option called the Joint Aquatic Resource Permit Application (JARPA), which was created by multiple agencies to streamline certain environmental permitting and is maintained by ORIA. But offering a single application process does not guarantee concurrent reviews, compatible requirements, or harmony with federal regulations. As Futurewise writes regarding shoreline regulations,

> . . . some agencies won't accept a JARPA . . . until the applicants has [sic] gone through a local jurisdiction and received their shoreline decision. It is a challenge because each of the agencies ends up giving applicants one answer at the time regarding that agency's review—for mitigation—rather than a full package of the mitigation that is required by all agencies (all in one package). This prolongs the process. (Patterson et al. 2014)

The SAO's recommendations will be most beneficial to businesses if they are implemented completely, rather than piecemeal.

### Permit Timeliness

In 2013, a performance audit found that for 60 percent of all permits, agencies did not provide information on their websites or application forms on how long it would take to come to a decision. Additionally, processing times were tracked by agencies for only 62 percent of business permits.

As the audit noted,

> Agencies can help businesses be more successful and reduce processing times by providing more information and assistance to businesses early in the process as they are preparing their applications, by developing performance measures and targets, and by using the data to identify and eliminate bottlenecks. (SAO 2013)

The audit recommended that each agency should measure permit decision times and provide businesses with estimates of processing times. It also recommended that agencies "develop and publish online performance measures" (SAO 2013). (The audit describes performance management as involving "collecting and analyzing data at each phase of the permitting process in order to identify and resolve any bottlenecks or other delays" (SAO 2013).)

Additionally, the audit recommended that agencies provide applicants information about the assistance that is available to them and examples of complete and approved applications.

These are not new ideas. Several state laws and initiatives already direct or recommend that agencies provide permit turnaround times and work to streamline regulations. These include, for example, the creation of the Office of Regulatory Assistance (now ORIA); Chapter 231, Laws of 2007; and Gov. Inslee's Results Washington initiative (SAO 2013).

In response to this audit, the state Legislature enacted E2SHB 2192 in 2014. The bill requires agencies to track the time it takes to make permit decisions and to provide information on their websites about the permit application process, including an estimate of how long permit processing will take and examples of completed and approved applications.

### Communicating and Streamlining

In 2012, the SAO found that although Washington has three central business websites, none of them provided complete regulatory information. Further, not even the agency websites "provided complete information for the permits and licenses we reviewed." (We wrote

about this audit in "[A Complex Maze of State and Local Laws and Regulations](#).")

The three central business websites are "each characterized in law or executive order as a 'one-stop' or a single point of contact for a particular type of regulatory information" (SAO 2012). Nevertheless, "Washington has not yet achieved the vision of a one-stop business portal" (SAO 2012). For example, one of those central websites is the Business Licensing Service (BLS), which was established in the 1970s. State law only required 13 agencies to fully participate in the site, and the audit found that only 16 percent of state business licenses were on the BLS website.

The audit recommended that the state "continue to pursue a single, one-stop portal for all business transactions with state government" (SAO 2012). Additionally, all agencies should "provide complete and accurate information for all business licenses and permits on their websites."

The audit also found that several agencies streamline some of their rules, and the auditors visited 11 agencies that indicated they had conducted "extensive streamlining during the past 10 years or had tracked the effects of their streamlining activity" (SAO 2012). None of these agencies formally measured the results of that streamlining. The audit defined "streamlined rules" as

> . . . those that are necessary to accomplish the regulatory mission, are clearly written, and are consistent with rules of other government agencies. Streamlining involves a reliable process to identify rules that need to be revised, making those revisions, and ensuring changes produced their intended results. (SAO 2012)

The audit recommended that all agencies regularly streamline regulations, and include "specific criteria to evaluate the need, consistency and clarity of existing rules" (SAO 2012). They should also measure and track results.

Following this audit, the Legislature enacted in 2013:

- [ESHB 1403](#), which required more agencies to fully participate in the BLS, including by providing information on all licenses they issue;

- [HB 1818](#), which required the Department of Commerce to "conduct multi-jurisdictional regulatory streamlining projects that each impact a specific industry sector;"

- [SSB 5679](#), which required the departments of Ecology, Health, and Labor and Industries to formally review existing rules every five years; and

- [SSB 5718](#), which required the Office of the Chief Information Officer (OCIO) to provide "a plan for establishing performance benchmarks, and for measuring the results of implementing a one-stop integrated system for business interactions with government."

Each of the House bills listed above, as well as the previously mentioned E2SHB 2192, originated with Rep. Norma Smith. Both the Senate bills were under the prime sponsorship of Sen. Sharon Brown. In every case, passage occurred without a single "no" vote.

## Inventory

The SAO created an inventory of state regulations in 2011. At the time, 26 agencies administered 1,377 regulations. As of 2014, 26 state agencies administer 1,150 regulations (permits, licenses, and/or inspections). Sixteen agencies issue 199 types of permits, 23 agencies issue 625 categories of licenses, and 19 agencies conduct 326 types of inspections. The departments of Ecology, Health, Agriculture, and Licensing are the most prolific—each administers at least 100 of these regulations.

## Comment

The SAO's performance audits have documented many areas in which the state government could do a better job administering its regulations.

**The competitiveness gains from streamlining the regulatory process will be limited if state agencies don't also coordinate with federal and local regulators.**

As the SAO recently wrote,

> By streamlining business regulations without sacrificing other essential objectives, such as preserving the environment or ensuring a safe workplace, we may find that the lower costs—to both businesses and government—will help the state attract and support business opportunities. (SAO 2015)

Further, "Prolonged approval processes can deter development, which in turn limits economic growth and reduces government revenue" (SAO 2015). For example, a PricewaterhouseCoopers (PWC) study found that "shortening permitting processes by 3 months on a 22-month project cycle could make the difference in the decision whether or not to undertake a project" (PWC 2005). The PWC report also noted that "more efficient permit processes can attract investment from other areas" and "accelerating permit processes can permanently increase local government revenues" (PWC 2005).

Consequently, by taking the SAO's recommendations to heart, the state could create a win-win-win for agencies, businesses, and taxpayers. But the competitiveness gains from streamlining the regulatory process will be limited if state agencies don't also coordinate with federal and local regulators.

The 2012 audit noted that future work was planned in this regulatory reform series, to include considering "the cost effectiveness of a one-stop portal for all business transactions with state government" and "the basis for state regulations that exceed federal standards" (SAO 2012). These would be welcome topics.

## References

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