

# HOUSE BILL REPORT

## HB 1591

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### As Reported by House Committee On: Government Operations & Elections

**Title:** An act relating to improving the business climate and stimulating job creation by requiring certain agencies to establish a formal review process of existing rules.

**Brief Description:** Improving the business climate and stimulating job creation by requiring certain agencies to establish a formal review process of existing rules.

**Sponsors:** Representatives Smith, Van De Wege, Magendanz, Appleton, Angel, Stonier, Schmick, Upthegrove, Ryu, Pike, O'Ban, Hayes, Blake, Wilcox, Haler, Buys, Short, Warnick and Parker.

#### **Brief History:**

##### **Committee Activity:**

Government Operations & Elections: 2/19/13, 2/21/13 [DPS].

#### **Brief Summary of Substitute Bill**

- Requires the departments of Ecology, Labor and Industries, and Health to establish a formal review process of existing rules.

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### HOUSE COMMITTEE ON GOVERNMENT OPERATIONS & ELECTIONS

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 10 members: Representatives Hunt, Chair; Bergquist, Vice Chair; Buys, Ranking Minority Member; Taylor, Assistant Ranking Minority Member; Alexander, Carlyle, Kristiansen, Manweller, Orwall and Van De Wege.

**Minority Report:** Without recommendation. Signed by 1 member: Representative Fitzgibbon.

**Staff:** Marsha Reilly (786-7135).

#### **Background:**

Executive Order 06-02.

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*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.*

Governor Gregoire signed Executive Order (EO) 06-02 in February 2006 for the purpose of improving and simplifying the licensing, permitting, tax collection and other state business systems, and developing a one-stop business portal for Washington citizens and businesses.

Agencies that collect taxes or provide permits, licenses, approvals, and other regulatory services are required to:

- establish measurable service delivery standards to address turnaround or response times, professionalism and helpfulness, consistency, efficiency and effectiveness, and overall quality of services outcomes;
- regularly measure progress;
- report quarterly to the Governor;
- consider benchmarks from similar agencies or programs;
- set targets for improvement; and
- use "plain talk" standards for written materials.

#### Audit on Business Regulation Practices in Washington.

In 2012 the State Auditor completed an audit of state regulatory practices. The audit addressed two questions:

- Do Washington state government websites effectively provide regulatory information to businesses?
- Do Washington regulatory agencies have processes in place to streamline their business rules consistent with Governor Gregoire's executive order?

Regarding website access to business information, the audit found that:

- the vision of a one-stop business portal has not yet been achieved;
- regulatory information on regulatory agency websites is incomplete, and not all sites are easy to use; and
- only 23 percent of permits and licenses provide online information about processing times.

Regarding rule streamlining, the audit found that:

- agencies are streamlining some of their rules and some agencies' streamlining practices are in alignment with the Governor's EO;
- three agencies, Ecology, Health, and Labor and Industries, could improve their streamlining practices for formalizing their review processes; and
- none of the agencies measured the results of streamlining activity to determine whether rule revisions had the intended effect.

The audit recommended that all state regulatory agencies adopt streamlining processes that include:

- documentation of the review requirement and the process;
- reviewing at regular intervals to ensure all business rules are evaluated to determine if streamlining is needed;
- specific criteria to evaluate the need, consistency, and clarity of existing rules; and
- measurement and tracing of results, before and after rules are streamlined.

**Summary of Substitute Bill:**

The departments of Ecology, Labor and Industries, and Health must establish a continuous, formal review process of their rules. The review must be based on a prioritized work plan and must include rules relating to licenses, permits, and inspections. The review must identify rules that can be simplified, amended, or repealed with a goal to reduce the regulatory burden on businesses. The departments must adopt performance measures to assess the effectiveness of streamlining efforts. The departments must establish a process for effectively applying sunset provisions to rules when applicable.

Updates must be provided to the applicable committees of the Legislature regarding the review process, performance measures, and accomplishments of streamlining efforts by January 2014 and every other year thereafter.

**Substitute Bill Compared to Original Bill:**

The substitute bill made the following changes to the underlying bill:

- requires that the formal review process be a continuous rather than an annual review;
- requires that the review be based on a prioritized work plan and to include rules relating to licenses, permits, and inspections;
- requires that the review identify rules that can be simplified, amended, or repealed; and
- requires the departments to present an update, rather than a report, to the applicable committees of the Legislature regarding its review process, performance measures, and accomplishments of its streamlining efforts by January 2014 and every other year thereafter.

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**Appropriation:** None.

**Fiscal Note:** Preliminary fiscal note available. New fiscal note requested on February 21, 2013.

**Effective Date of Substitute Bill:** The bill takes effect 90 days after adjournment of the session in which the bill is passed.

**Staff Summary of Public Testimony:**

(In support) The bill is simple and straightforward. It is a recommendation of the State Auditor that a formal review process of existing rules be adopted by the departments. This policy is not a partisan issue. The bill represents an opportunity to improve the climate for business in Washington. The current system is burdensome. The regulatory climate has put Washington at risk of losing many businesses. All rules do not need to be reviewed each year; that was not the intent. The process should be dynamic and the departments should adopt a formal review process to look at rules.

(With concerns) Reducing the burden of state rules on business is a topic of concern to the Department of Ecology (Ecology). Ecology does a survey on a regular basis and is currently in the process of reviewing over 3,000 responses to the latest survey. The audit found that although Ecology was performing, the framework was not in place to establish a formal process. Ecology is interested in working on this bill. A concern is that the bill requires a review every year of every rule and the language could be modified to provide clarification. There are some cost implications, and clarification of which rules would be prioritized will reduce the cost impact. The process could be expanded to improve the implementation of rules.

**Persons Testifying:** (In support) Representative Smith, prime sponsor.

(With concerns) Tom Clingman, Department of Ecology.

**Persons Signed In To Testify But Not Testifying:** None.