

PUBLIC TESTIMONY SUMMARY

I-900 STATE AUDITOR'S PERFORMANCE AUDIT:

Regulatory Reform: Communicating Regulatory Information and Streamlining Business Rules

(September 6, 2012)

As Heard by the Joint Legislative Audit & Review Sub-Committee on I-900 Performance Audits
on September 19, 2012

The performance audit being discussed at this hearing was conducted solely and independently by the office of the State Auditor, under the authority of legislation approved by the voters in Initiative 900. The State Auditor is elected directly by the people of the State of Washington and operates independently of the Legislature and the Joint Legislative Audit & Review Committee. Staff to the Joint Legislative Audit & Review Committee prepare a summary of public testimony on State Auditor reports. These summaries are for informational purposes only, and do not serve as an assessment by committee staff of the findings and recommendations issued by the State Auditor nor do they reflect a staff opinion on legislative intent.

Title: Regulatory Reform: Communicating Regulatory Information and Streamlining Business Rules

Audit Scope and Objectives:

SAO indicates it conducted this audit to answer the following 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 governors' orders?

SAO reports it conducted this project in three phases:

- 1) *Inventory of business regulations* – SAO says it began its audit by identifying 1,377 business permits, licenses, and inspections administered by 26 state regulatory agencies;
- 2) *Website access to business information* – While creating the inventory, SAO reports it encountered difficulty locating and understanding regulatory information on the state's websites. SAO indicates it assessed how efficiently the 26 agencies communicate online about their permits and licenses. SAO indicates it also evaluated the three central business websites; and
- 3) *Streamlining business regulations* – SAO reports that it surveyed the regulatory agencies to learn how they streamline their existing business rules and that it visited 11 agencies that said they had done extensive streamlining.

SAO Findings:

With regard to **website access to business information**, SAO found that:

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

With regard to **rule streamlining**, SAO found that:

- Agencies are streamlining some of their rules.
- Three agencies – Ecology, Health, and Labor & Industries – could improve their streamlining practices by formalizing their review processes.
- None of the agencies SAO visited formally measured the results of streamlining activity to determine whether rule revisions had their intended effects.

SAO Recommendations:

Recommendations with regard to **website access to business information**:

1. The Legislature and Governor should continue to pursue a single, one-stop portal for all business transactions with state government.
2. The Governor should use existing legal authority to direct expansion of the Business Licensing Service (BLS) website to include information and applications to all state agency business licenses. The regulatory agencies should work with the Department of Revenue to develop a timetable to include all of their licenses as system capacity allows.
3. The Legislature should revise the law (RCW 19.02.050) to remove the two agencies required to participate but that do not issue business licenses (the Department of Commerce and the Parks and Recreation Commission), and to add the agencies that do issue business licenses but do not now participate. The Legislature should also clarify that “full participation” by agencies requires them to provide information and applications for all of their business licenses available on the BLS website.
4. The Office of Regulatory Assistance should ensure that its website meets the statutory requirement (RCW 43.42.040) to provide regulatory information for all business permits.
5. The Office of Regulatory Assistance should expand the content of the “permits, licenses, and inspections” page of the Doing Business section of Access Washington to provide links to the central business websites and to the business sections of the 26 regulatory agencies’ websites.
6. The Office of the Chief Information Officer should develop standards based on leading usability practices that enable agencies to produce clear, consistent, and usable web content.
7. All regulatory agencies should provide complete and accurate regulatory information for businesses on their websites for all licenses and permits.

SAO Recommendations (continued):

Recommendations with regard to **streamlining business rules**:

1. All state regulatory agencies should adopt streamlining processes that include:
 - o Documentation of the review requirement and the process;
 - o Review in regular intervals to ensure all agency business rules are evaluated to determine if they are in need of streamlining;
 - o Specific criteria to evaluate the need, consistency and clarity of existing rules; and
 - o Measurement and tracking of results, before and after rules are streamlined.
2. The Governor should require agencies to measure and demonstrate the results of their streamlining activities by:
 - o Holding agencies accountable for demonstrating clear, measurable results from streamlining in accordance with Executive Order 06-02.
 - o Monitoring results through the Government Management Accountability and Performance Process, a reinstated improvement subcabinet, or some other regular reporting structure with executive-level leadership.

Agency Responses in Audit Report?	Yes, beginning on page 39
Legislative Action Requested?	Yes; in the set of recommendations to address website access to business information, Recommendations 1 and 3 are directed to the Legislature.

Agencies Testifying:

The Office of the Governor (Sheri Sawyer, Performance Audit Liaison)

The Office of the Chief Information Officer (Jill Satran, Director of External Affairs & Policy)

Summary of Testimony from Audited Agencies:

We appreciate the goals of this audit. The Governor has made regulatory improvement a top priority throughout her administration. Even in a time of reduced resources, the Governor believes we can make improvements in how the state interacts with business. She has issued a series of Executive Orders and requested legislation, all aimed at reducing the state’s burden on business. Appendix J in the report clearly demonstrates that Washington’s efforts for regulatory improvement are on par with and in many instances surpass efforts in other states.

The path we are on ensures that Washington will create the most optimal environment for businesses to thrive, and we think the audit report confirms the path we are on. Some of the recommendations in the report can be completed within existing resources, and some cannot, which the report acknowledges. For example, the plan for the one-stop portal will include information on timing and a cost estimate.

We do not feel a one-size-fits-all approach for rule streamlining is in business’s best interest. Agencies’ priorities for rules review are based on three things: federal requirements, state law, and stakeholder request. Revisiting all regulatory rules on a regular basis could be counter-productive and hinder serving businesses in the most efficient manner. This would also be in direct conflict with

the Governor's Executive Orders to agencies to suspend all non-critical rule-making. The orders were issued in part at the request of businesses to have less rule-making during this economic recession. Agencies will look for additional meaningful measures to track rule streamlining efforts and incorporate them into the GMAP process.

The idea being worked on for a one-stop portal is different than what we have today. The current business.wa.gov is a website where a business can access other agencies through links. The idea for the one-stop portal is more of a Turbo Tax model, where a business can accomplish all of the work it wants to get done with the state in one place without having to transport to other agencies via links. This would require setting up a backbone that agencies can connect to so that the businesses can work in one place but all the relevant information is sent back out to the agencies. This approach is on the minds of many states, but no state has been able to fully accomplish it yet. We are hoping to have a contractor soon to work through timing and requirements. This would be the kind of a project that we would plan to accomplish in small increments, and it will take time.

Other Parties Testifying:

Erin Shannon, Director, Center for Small Business, Washington Policy Center
Amber Carter, Government Affairs, Association of Washington Business

Summary of Testimony from Other Parties:

The Washington Policy Center has done extensive research on how the state's regulations impact our state's small businesses. We have sponsored conferences and regional business forums which hundreds of small business owners have attended. Each year these business owners identify key policy changes needed to improve our state's small business climate. Among the top recommendations is to reduce the burden of regulations on employers. Suggestions include streamlining regulations, removing outdated regulations, and removing duplicative, often-times conflicting regulations, and centralizing how businesses transact business with government. While we are disappointed with the results of the audit report, we are also grateful for the report because it validates what small business owners are telling us. They state that it is almost impossible to comply with 100 percent of the regulations. This is not because the businesses don't want to comply but because they don't know what the regulations are.

Providing a one-stop shop that contains all of the information businesses need to understand and comply with regulations would significantly reduce the burden on business owners. One issue of concern raised by business owners is the reasons agency officials gave for not participating in the current BLS website. They stated that the costs of participating exceeded the benefits for the agency, and they did not believe they would save time or money. But the idea behind a one-stop portal is not to benefit the state agencies; it is for the benefit of business owners struggling to survive. The audit report reflects that this effort is to be for the benefit of small business owners, which is ultimately to the benefit of the government and the economy.

We are pleased with the auditor findings on this subject. It is a sore subject with business owners when they cannot figure out what they owe and what they have to comply with. The ultimate goal for a business owner would be the ability to access a customized set of regulatory requirements and tax structure information. Some success has occurred in transferring the program from the Department of Licensing to the Department of Revenue. DOR began with 37 city partners in the program and now is up to 53 partners with no fee increase to do so. DOR has added E-check as an option, which is a great feature for small businesses, and is working on adding Spokane as the 54th partner by the end of this

year. Seven more cities are interested in this new approach, and ten more cities are working with DOR right now.

There are also differences in approaches on what a charge should be for a city license. Some cities like Colville have a \$5 fee, while other cities like Kirkland charge \$2,500 for a license fee. There is no reason or government check on what it actually takes to comply with the administration and monitoring of that business license. We would at least like to have one consolidated place to pay and interpret these issues. The goal of these audits is to remove the “gotcha” from state government activities, and to the extent feasible bring city and county license features in line with state features into a one-stop system. What we need is a functional, integrated system that addresses all the technological platforms. We need to be able to write one check and have it go to all the appropriate places. There is resistance from local government and state agencies in participation. We need governments to embrace a customer service-driven attitude. We believe that for city licenses, business licenses, and local B&O taxes, it is time to mandate participation in a Department of Revenue state-run system.