



STATE OF WASHINGTON
OFFICE OF FINANCIAL MANAGEMENT

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December 23, 2013

The Honorable Troy Kelley
Washington State Auditor
P.O. Box 40021
Olympia, WA 98504-0021

Dear Auditor Kelley:

Thank you for the opportunity to respond to the State Auditor's Office (SAO) performance audit report on Regulatory Reform: Permit Timeliness. The Office of Financial Management worked with the audited agencies and the Governor's Office for Regulatory Innovation and Assistance and the Office of the Chief Information Officer to provide a consolidated response. The Department of Natural Resources will respond separately.

We appreciate the professionalism of your staff and their efforts to identify and make recommendations to improve the predictability and timeliness of permit decisions. Businesses need predictability and clarity of regulatory requirements to understand what is expected in submitting complete and accurate permit applications to eliminate redundant and costly permit reviews.

As you know, agencies must delicately balance streamlining efforts to improve timeliness and predictability for our business customers while maintaining the intent of the regulation, such as protecting public health and safety or preserving the environment.

We are particularly pleased with the outcomes identified by your staff as a result of engaging businesses. Overall the business survey responses were 90 percent positive. Businesses also responded with a 95 percent positive rating in the areas of: (1) their permit interactions with regulatory agencies were friendly; (2) they received answers to their questions; and (3) their permit decision was clear. While these are outstanding results, we recognize there is more work to do. Continuously improving business regulations, such as permit processing, will improve Washington's economic vitality. The data confirm that we are focusing improvement in the right areas and that efforts to improve the business climate are working.

We also appreciate that the report recognizes the progress made by regulatory agencies in adding timeliness information to their websites, from 15 percent of permits in 2012 to 40 percent in 2013. However, these results do not show that many more permits are processed the same day, with applicants receiving a decision immediately. The web stats, while helpful, may not be the best indicator of predictability for processing timelines. And while the performance audit report reflects the importance to lawmakers and businesses of streamlining permit timeliness, we wish it better reflected the commitment of state agencies and the Governor's Office to making improvements.



Last September Governor Inslee launched Results Washington — his comprehensive, data-driven performance management system — with Executive Order 13-04. This performance management system builds on the best aspects of previous executive branch initiatives and requires agencies to use Lean management to continually improve state government. Permit processing is among those improvements. In fact, two of the Governor's five goal areas have measures that will focus on streamlining regulatory processes related to permits. Goal 2, a prosperous economy, includes developing a Standard Cost Model Regulatory Index that will target improvements by considering regulatory costs, burden, time, frustration and customer satisfaction. And Goal 5 — effective, efficient and accountable government — will measure and target timeliness and customer satisfaction improvements for some permits.

We also appreciate the recognition of several agencies you identified as using leading practices that could benefit others. We believe the Governor's Office for Regulatory Innovation and Assistance (ORIA) can help share best practice information among agencies. ORIA has an important role in assisting, tracking and improving the permitting system across the state.

Agency resources are precious, and we remain very conscious that any action required of agencies requires shifting efforts from elsewhere. Even so, agencies have made good progress and are dedicated to making additional improvements. We believe the attached response and action plan makes the best use of our resources while holding state agencies accountable to continuously improve permit timeliness.

Sincerely,



David Schumacher
Director

Enclosure

cc: Joby Shimomura, Chief of Staff, Office of the Governor
Kelly Wicker, Deputy Chief of Staff, Office of the Governor
Ted Sturdevant, Executive Director for Legislative Affairs, Office of the Governor
Jesus Sanchez, Director, Governor's Office for Regulatory Innovation and Assistance
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Wendy Korthuis-Smith, Director, Results Washington, Office of the Governor
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Honorable Peter Goldmark, Commissioner of Public Lands, Department of Natural Resources
Bud Hover, Director, Department of Agriculture
Allyson Brooks, State Historic Preservation Officer, Department of Archaeology & Historic Preservation
Maia Bellon, Director, Department of Ecology
Philip Anderson, Director, Department of Fish and Wildlife
David Trujillo, Director, Gambling Commission
John Wiesman, Secretary, Department of Health
Joel Sacks, Director, Department of Labor and Industries

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Pat Kohler, Director, Department of Licensing
Sharon Foster, Administrative Director, Liquor Control Board
Don Hoch, Director, State Parks and Recreation Commission
Carol Kobuke Nelson, Director, Department of Revenue
Lynn Peterson, Secretary, Department of Transportation
David Danner, Chairman, Utilities and Transportation Commission

OFFICIAL STATE CABINET AGENCY RESPONSE TO THE PERFORMANCE AUDIT ON REGULATORY REFORM: PERMIT TIMELINESS

DECEMBER 23, 2013

This coordinated management response to the State Auditor's Office (SAO) performance audit report received December 3, 2013, is provided by the Office of Financial Management on behalf of the following regulatory agencies: departments of Agriculture, Archeology & Historic Preservation, Ecology, Fish and Wildlife, Health, Labor and Industries, Licensing, Revenue, Transportation, Gambling Commission, Liquor Control Board, State Parks and Recreation Commission, and the Utilities and Transportation Commission.

PERFORMANCE AUDIT OBJECTIVES:

1. Do regulatory agencies and their business customers know how long it takes agencies to make permit decisions?
 2. Are there opportunities to reduce the time it takes regulatory agencies to make permit decisions?
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ISSUE 1: Agencies do not always know how long business permit decisions take, and they do not always give businesses information they have.

RECOMMENDATION 1: For all permits, each regulatory agency:

- A. Measure the time it takes to make a permit decision (for permits taking longer than two weeks, measure both the time from initial application to complete application, and the time from a complete application to a decision).
- B. Provide businesses, either on the website or permit application form an estimate of the time required to process the application.
- C. Report to the Legislature each year for the next four years on the percent of permits that list the processing time on the website or application form.

RESPONSE

We agree that our business customers must be able to predict how long it will take for permit decisions. Businesses must also understand what is expected so they can submit complete and accurate applications and eliminate costly, redundant application reviews.

Permitting processes vary dramatically in their complexity. Agencies must delicately balance their resources in measuring, streamlining and reporting. Similarly, they must balance the need for speedy permit processing with the need to protect public health and safety.

We appreciate that the report recognizes the progress regulatory agencies have made in adding timeliness information to their websites, from 15 percent in 2012 to 40 percent in 2013. It's also important to note that many permits are processed within a day, with applicants receiving a decision

immediately. So web stats, while helpful, may not be the best indicator of predictability for businesses.

Permit requirements are designed to provide some level of protection to Washingtonians. For example, restaurant health permits protect public safety, while hydraulic project approval permits protect the environment for future generations. Some processes are instantaneous, while others take six months to a year or longer to meet statutory requirements, public standards and coordination with federal and local partners. For these reasons, we believe that measuring the time for permit decisions that take longer than two weeks is an arbitrary time frame. Businesses need an estimated processing time regardless if it is one day or one year.

We appreciate the recommendations identified to address Issue 1 in the audit report, as well as those recommendations identified for Issue 2: “Regulatory agencies have simple, low-cost opportunities to reduce the time it takes for a business permit decision.” We believe agencies can best address both issues through a modified approach to these recommendations.

Regulatory agencies will continue to prioritize and focus first on what matters most to best serve all customers. Recognizing the range of complexity among agencies and permits, agencies need plans tailored to their unique missions, permits, customers, applicable regulations and resources.

We believe the state, regulatory customers and Washingtonians will be best served by addressing the two issues through the following actions:

1) Agency-specific plans to improve clarity, predictability and timeliness of permitting.

Results Washington will ensure that each regulatory agency prepares a plan that includes a schedule of its permits. The plans will include:

- When the agency will be able to measure and estimate permit-processing time frames (from submission to decision) if those time frames are unknown.
- When the agency will publish estimated permit-processing times for those not published.
- The methodology to identify processes that may need improving, assistive tools or reduction in processing time. (Assistive tools could include customer assistance, process overview, examples of complete or approved applications, and checklists.)

The schedule of work will not exceed four years. Results Washington will track each agency’s progress in developing its plan. See results.wa.gov/whatWeDo/audits/agencyActionPlans.aspx.

2) Agency-specific progress report on improving clarity, predictability and timeliness of permitting.

We believe that agencies, the business community and the Legislature will be better served by having agencies report permitting progress information to the Governor’s Office for Regulatory Innovation and Assistance (ORIA). ORIA has statutory authority to collect this information and is in the best position to facilitate information-sharing among state, local and federal agencies.

Each regulatory agency will prepare a progress report that includes:

- A list of permits the agency regulates;
- Estimated processing time for each permit from submission to decision (for those that have been measured);

- Date that the estimated processing time for each permit will be known (for those that have not been measured);
- Percentage of permits that have the estimated processing time on its website and/or application form;
- Whether assistive tools have been provided to help clarify the permitting process for customers (if applicable);
- Agency permits that have been improved and the results;
- Agency permits targeted for an improvement effort with target date; and
- Lessons learned from permit processing improvement efforts.

3) Comprehensive progress report on improving clarity, predictability and timeliness of regulatory permitting.

We believe agencies, the regulatory business community and the Legislature will be best served by having ORIA produce a comprehensive progress report based on the information provided by regulatory agencies. The report may also include lessons or best practices learned from local or national partners. This report will be published for the Governor, Legislature, business customers and the public.

ACTION STEPS AND TIME FRAME

- › By June 30, 2014: Each regulatory agency will prepare a plan to improve clarity, predictability and timeliness of permitting.
- › By June 30, 2015: Each regulatory agency will report progress to ORIA on improving clarity, predictability and timeliness of permitting.
- › By December 31, 2015: Based on agency reports, ORIA will publish a comprehensive progress report on improving clarity, predictability and timeliness of regulatory permitting for the Governor, Legislature, business customers and the public.

ISSUE 2: Regulatory agencies have simple, low-cost opportunities to reduce the time it takes for a business permit decision.

RECOMMENDATION 2:

- A. Agencies develop and publish online performance measures and targets for improvements for permits that take longer than an average of two weeks from initial application to a decision.
- B. Agencies report annually to the Legislature on how they use their data to improve their permit processes, beginning with those with the lowest customer satisfaction or the highest number of applicants.

RESPONSE

We agree that state agencies should continue to develop performance measures and improvements for permitting. This work has been embraced by agencies, and significant effort has gone into achieving improvements despite current budget constraints.

Although we are focused on continuous improvement, we are pleased with the outcomes identified by businesses in your performance audit. Overall, the business survey responses were 90 percent positive. Businesses also responded with a 95 percent positive rating in the areas of: (1) their permit interactions with regulatory agencies were friendly; (2) they received answers to their questions; and (3) their permit decision was clear. While these are outstanding results, we recognize there is more work to do. Continuously improving business regulations, such as permit processing, will improve Washington's economic vitality. The data confirm that we are focusing improvement in the right areas and that efforts to improve the business climate are working.

Governor Inslee launched Results Washington — his comprehensive data-driven performance management system — with Executive Order 13-04. The performance management system builds on the best aspects of previous executive branch leadership and requires agencies to use Lean management to continually improve state government for Washingtonians. Those improvements include permit processing. Each agency will use Lean thinking to determine the best methodology for continuous improvement efforts, as is already being done in some regulatory agencies. These measures may be agency specific or be reported as part of Results Washington's cross-agency outcome measures. Results Washington's goal, "Prosperous Economy," includes developing a Standard Cost Model Regulatory Index that will target improvements by considering regulatory business time and costs (administrative burden), frustration and customer satisfaction. And, the Results Washington goal, "Effective, Efficient and Accountable Government," will measure and target timeliness and customer satisfaction improvements for some of these permits.

We recognize the challenge the SAO had in defining and compiling permit tracking and performance target information. A one-size-fits-all tracking approach may not accurately reflect how well an agency is serving its customers. For example, in the performance audit report, Exhibit 3 focuses on agencies that formally track and maintain performance targets. Agencies were given credit for timeliness references on websites or application forms. This is somewhat misleading. As noted above, agencies that process large numbers of permits immediately or in the same day are reported as though their performance is not tracked or maintained.

We believe the best approach would be for each agency to establish a methodology for measuring and improving what matters most to its unique customers. As stated above, we also believe that agencies, the regulatory business community, and the Legislature will be better served by having agencies report this information to the Governor's Office for Regulatory Innovation and Assistance.

ACTION STEPS AND TIME FRAME

- See action steps above for issue 1.

RECOMMENDATION 3: The Governor's Office or its delegate compile effective permit process streamlining practices of Washington's regulatory agencies based on their reports to the Legislature, as well as from other research on best permitting practices from around the country, and produce a report by December 31, 2014.

RESPONSE

We agree that sharing best practices more formally among regulatory agencies can be beneficial. However, we believe it is more efficient for state agencies to report more comprehensive

information related to permit timeliness and improvement as outlined under Issue 1 than multiple reporting mechanisms. ORIA is in the best position to collect and share this information.

Additionally, producing a comprehensive report would not be feasible in the recommended time frame given the date of the performance audit report and the necessary work that regulatory agencies will need to complete and report progress on. ORIA will produce a comprehensive report by December 31, 2015, as outlined under Issue 1.

ACTION STEPS AND TIME FRAME

- See action step above for Issue 1.
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RECOMMENDATION 4: For all permits, agencies provide the following information to applicants on their websites:

- A. A list of the types of assistance available, how to access them, and the maximum time an applicant will wait for a response.
- B. Other tools to help the applicant submit a complete application, such as: examples of complete applications, examples of approved applications, and checklists for ensuring a complete application.

RESPONSE

We agree that our regulated business customers and the state would benefit from providing more clarity on many of the regulatory permits. Applications that are not completed correctly the first time are costly to the customer and the state.

We appreciate the recognition in the performance audit report of several agencies that are using leading practices you are recommending for all agencies. Each permit, regulatory agency and its customers has unique requirements. We believe that each regulatory agency will need to assess what additional tools may be needed for each permit to assist customers.

We have included this important work as part of a comprehensive strategy under Issue 1.

ACTION STEPS AND TIME FRAME

- See action steps above for Issue 1.
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