

INFORM. INSPIRE. DEVELOP CIVIC LEADERS.

# THE POLICY CIRCLE

## GOVERNMENT REGULATIONS



# ➤ UNDERSTANDING REGULATIONS ◀

IN THE CONTEXT OF GOVERNMENT AND BUSINESS IN AMERICA, REGULATIONS ARE RULES SET BY GOVERNMENT OR OTHER BODIES THAT OUTLINE HOW ACTIVITIES IN A GIVEN INDUSTRY CAN OPERATE. HUNDREDS OF DIFFERENT REGULATIONS AFFECT EACH PART OF OUR DAILY LIVES, FROM THE PRODUCTS WE USE TO THE PLACES WE WORK. WHILE SOME REGULATIONS ARE NECESSARY TO PROTECT PEOPLE AND THE ENVIRONMENT, EXCESSIVE REGULATIONS CAN HARM COMMUNITIES AND THE ECONOMY.

THE COST OF COMPLIANCE WITH NEW REGULATIONS REQUIRES TIME, MONEY, AND LEGAL EXPERTISE THAT MAKES IT HARDER FOR SMALLER COMPANIES TO GROW, AND FOR NEW POTENTIAL BUSINESSES TO GET STARTED.

REGULATIONS IMPACT PEOPLE'S ABILITY TO CREATE INNOVATIVE PRODUCTS OR SERVICES TO SERVE THEIR COMMUNITIES AND EMPLOY PEOPLE. INNOVATIVE VENTURES FACE CHALLENGES FROM FINDING TALENT TO COMPETING IN A FAST-PACED AND DIVERSE ECONOMY. BURDENSOME REGULATIONS LIMIT THE CHANCE OF SUCCESS.

IN ORDER TO STREAMLINE EXISTING REGULATIONS AND PREVENT FUTURE OVERREGULATION, IT IS NECESSARY TO UNDERSTAND THE COMPLICATED WEB OF STATE AND FEDERAL LAWS AND AGENCIES RESPONSIBLE FOR OUR SYSTEM OF REGULATIONS.

# ➤ FACTS TO KNOW ◀

ESTIMATES FOR THE TOTAL COSTS OF COMPLYING WITH REGULATIONS, LIKE BUSINESSES THAT HAVE TO HIRE LAWYERS OR OTHER SPECIALISTS IS BETWEEN \$1.25 AND \$2 TRILLION PER YEAR. THIS IS COMPARABLE TO THE \$1.4 TRILLION IN INCOME TAXES THAT AMERICANS PAID IN 2014. STILL, NO ESTIMATE IS COMPLETELY RELIABLE AS WE CANNOT KNOW THE VALUE OF JOBS AND BUSINESSES NEVER CREATED.

ECONOMIC RESEARCHERS ESTIMATED THAT THE COST OF OVER-REGULATION SLOWING DOWN ECONOMIC GROWTH BETWEEN 1980 AND 2012 AMOUNTED TO \$13,000 PER AMERICAN. THIS DISPROPORTIONATELY IMPACTS LOWER-INCOME AMERICANS THE MOST IN THE FORM OF HIGHER PRICES FOR ESSENTIAL GOODS.

WELL-INTENDED REGULATIONS CAN HAVE UNINTENDED CONSEQUENCES - USUALLY HIGHER PRICES OR LESS EFFECTIVE PRODUCTS. IN 2001, THE DEPARTMENT OF ENERGY CREATED A RULE REQUIRING MORE EFFICIENT WASHING MACHINES TO LOWER UTILITY BILLS. HOWEVER, MOST U.S. HOUSEHOLDS DIDN'T USE THEIR WASHING MACHINES OFTEN ENOUGH TO SAVE MONEY FROM THE REFORM. WASHING MACHINES DESIGNED TO MEET THIS STANDARD ALSO HAD MORE PROBLEMS WITH MOLD.

COMPLYING WITH REGULATIONS HITS SMALL BUSINESSES THE HARDEST. THE NATIONAL FEDERATION OF INDEPENDENT BUSINESSES ESTIMATED THAT UNDERSTANDING AND COMPLYING WITH REGULATIONS COSTS NEW BUSINESSES \$83,000 IN THEIR FIRST YEAR OF OPERATION. ECONOMIC RESEARCH BY THE MERCATUS CENTER FOUND THAT COMPLEX REGULATIONS ARE ASSOCIATED WITH A DECLINE IN THE NUMBER OF SMALL BUSINESSES, AND A DECREASE IN HIRING BY ALL BUSINESSES, REGARDLESS OF SIZE.

# ➤ GOVERNMENT INVOLVEMENT ◀



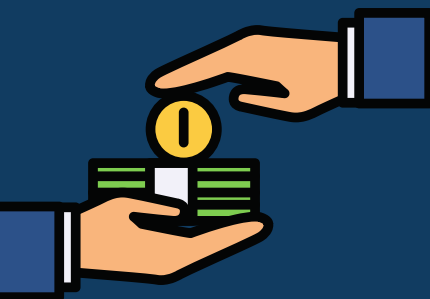
EVERY LEVEL OF GOVERNMENT SETS REGULATIONS, WITH SOME OVERLAPPING AREAS LIKE LABOR LAWS AND SOME ISSUES THAT ARE MAINLY HANDLED BY ONE LEVEL OF GOVERNMENT. LAWS LIKE RENT CONTROL, ZONING ORDINANCES, AND RULES ON RESTAURANTS' ABILITY TO SERVE ALCOHOL ARE DECIDED BY LOCAL GOVERNMENT. EXAMPLES OF STATE REGULATIONS INCLUDE THE LEGAL DRINKING AGE, SPEED LIMITS, AND OCCUPATIONAL LICENSING.

FEDERAL REGULATIONS ARE CREATED IN A 3-STEP PROCESS. FIRST, A DRAFT OF THE NEW LAW IS PUBLICIZED. THEN, THERE IS A COMMENT AND REVIEW PERIOD WHERE MEMBERS OF THE PUBLIC CAN SUBMIT FEEDBACK AND PROPOSE CHANGES. FINALLY, THE WORDING OF THE FINAL DRAFT BECOMES LAW AND IS PUBLISHED IN THE FEDERAL REGISTER.



THE CODE OF FEDERAL REGULATIONS (CFR) CODIFIES THE GENERAL AND PERMANENT RULES PUBLISHED IN THE FEDERAL REGISTER. THE CFR INCLUDES 50 BROAD SUBJECT AREAS FROM BANKS TO AGRICULTURE. IN 1960, IT WAS 23,000 PAGES. IN 2019, IT WAS 186,000 PAGES. SINCE THE 1970S, THE FEDERAL GOVERNMENT HAS CREATED ABOUT 3,000 NEW FEDERAL REGULATIONS EACH YEAR.

AT THE FEDERAL LEVEL, THE PRESIDENT HAS VERY BROAD POWERS TO SET THE AGENDA FOR HOW EXECUTIVE BRANCH AGENCIES ENFORCE THE LAW BY CREATING, CHANGING, OR ELIMINATING REGULATIONS. HOWEVER, THESE CHANGES CAN EASILY BE REVERSED BY THE PRESIDENT'S SUCCESSOR UNLESS THE EXECUTIVE BRANCH WORKS WITH CONGRESS TO PUT THESE CHANGES INTO LAW.



# ➤ FRAMING THE ISSUE ◀

REGULATORY EXPERTS GROUP REFORMS TO THE SYSTEM INTO THREE MAJOR CATEGORIES. VERTICAL REFORMS CHANGE THE REGULATORY PROCEDURES INDIVIDUALLY AT EACH AGENCY, ONE UNIQUE AGENCY AT A TIME. HORIZONTAL REFORMS ARE REFORMS THAT IMPROVE THE RULEMAKING PROCESS ACROSS ALL AGENCIES AT ONCE. COMPREHENSIVE REFORMS INVOLVE THE COSTLY AND SIGNIFICANT FORMS OF REGULATION ACROSS THE ENTIRE EXECUTIVE BRANCH.

NEW REGULATIONS CAN HAVE SEVERE UNINTENDED CONSEQUENCES FOR ENTREPRENEURS AND SMALL BUSINESSES, WHICH HAVE TO SPEND LIMITED TIME AND MONEY TO RESEARCH AND COMPLY WITH OVERLAPPING AND CONFLICTING LOCAL, COUNTY, STATE, AND FEDERAL REGULATIONS. ONE SURVEY FOUND THAT 2/3 OF SMALL BUSINESS OWNERS CITE THE COST AND COMPLEXITY OF UNDERSTANDING AND FOLLOWING NEW REGULATIONS AS THE MAIN CHALLENGE FACING THEIR BUSINESSES.

MOST REGULATORY AGENCIES RELY ON THIRD PARTIES TO TRACK, MANAGE, AND ANALYZE REGULATORY ACTIVITY. GENERALLY, THIS MEANS SERVICE PROVIDERS LACK THE EXPERTISE NEEDED TO PROPERLY UNDERSTAND THE REGULATORY PROCESS, AND MULTIPLE SERVICE PROVIDERS FOR DIFFERENT AGENCIES LEADS TO REDUNDANCY, MISMANAGEMENT, AND FRAGMENTED SYSTEMS THAT ADD TO REGULATORY BUILDUP.

OCCUPATIONAL LICENSING REQUIRES WORKERS TO SUBMIT VERIFICATION OF TRAINING AND EDUCATION BEFORE BEGINNING A CERTAIN JOB. IN SOME CASES, IMPROPER TRAINING CAN HARM THE PUBLIC. AN OVERWHELMING PROBLEM IS THAT LICENSING CAN CREATE A BARRIER TO EMPLOYMENT. LICENSING CAN BE A LOCAL, STATE, OR NATIONAL REQUIREMENT, MAKING IT DIFFICULT TO RELOCATE. LICENSING RECIPROCITY, OR MUTUAL ACCEPTANCE OF LICENSES GRANTED BY OTHER JURISDICTIONS, CAN HELP.



# POTENTIAL SOLUTIONS

## ENABLE LEGISLATIVE REVIEW OF REGULATORY AGENCIES' RULES.

THE 1996 CONGRESSSIONAL REVIEW ACT ALLOWED A SIMPLE MAJORITY VOTE IN CONGRESS TO OVERTURN NEW REGULATORY RULES CREATED BY EXECUTIVE BRANCH AGENCIES, A MAJOR STEP TOWARDS DECREASING REGULATORY BARRIERS TO INNOVATION. EMPOWERING LEGISLATURES AND ELECTED OFFICIALS IN THIS MANNER HELPS TO RESTRAIN THE UNELECTED BUREAUCRACIES AND AGENCIES THAT CREATE NEW REGULATIONS.

## REDUCE OCCUPATIONAL LICENSING RESTRICTIONS

EXCESSIVE EDUCATIONAL AND LICENSING REQUIREMENTS, MAINLY STATE-LEVEL REGULATIONS, CREATE BARRIERS TO ENTRY FOR OCCUPATIONS AS DIFFERENT AS NURSES, TRUCK DRIVERS, AND COSMETOLOGISTS. INTERSTATE COMPACTS, WHERE YOUR STATE AGREES TO RECOGNIZE OTHER STATES' CERTIFICATION CAN ALSO HELP ATTRACT NEW TALENT TO YOUR STATE AND COMMUNITY.

## ADOPT ONE-FOR-ONE STYLE OFFSET RULES

OTHER COUNTRIES LIKE CANADA AND THE AUSTRALIA HAVE ADOPTED RULES WHERE THE COST OF COMPLYING WITH A NEW REGULATION HAS TO BE OFFSET BY ELIMINATING AN EXISTING RULE. THE UNITED KINGDOM HAS GONE EVEN FURTHER WITH A "ONE-IN, THREE-OUT" RULE WHERE ANY NEW REGULATIONS MEANS THAT THREE EXISTING RULES HAVE TO BE ELIMINATED. THIS TYPE OF RULE COULD BE APPLIED AT THE FEDERAL, STATE, OR LOCAL LEVEL.

# ➤ WHAT YOU CAN DO ◀

## MEASURE -

DO YOU KNOW HOW PREVALENT REGULATIONS ARE IN YOUR STATE?  
WHAT ARE YOUR STATE'S OCCUPATIONAL LICENSING LAWS?  
IS THERE A TASK FORCE RELATED TO REGULATORY REFORM, OR DOES ONE NEED TO BE FORMED?



## IDENTIFY -

WHAT STEPS HAVE YOUR STATE'S OR COMMUNITY'S ELECTED AND APPOINTED OFFICIALS TAKEN?



## REACH OUT -

FIND ALLIES IN YOUR COMMUNITY OR IN NEARBY TOWNS AND ELSEWHERE IN THE STATE.  
FOSTER COLLABORATIVE RELATIONSHIPS WITH COMMUNITY ORGANIZATIONS AND LOCAL BUSINESSES.



PLAN -  
SET MILESTONES BASED ON YOUR STATE'S LEGISLATIVE CALENDAR OR LOCAL COMMUNITY CALENDAR.



## EXECUTE -

SUBMIT PUBLIC COMMENTS ON REGULATIONS AT REGULATIONS.GOV.  
RESEARCH THE REGULATIONS IMPACTING YOUR LIFE. MANY REGULATIONS HAVE UNINTENDED CONSEQUENCES AND REQUIRE AN INFORMED PUBLIC IN ORDER TO SHINE A SPOTLIGHT ON THEM.  
LOOK AT THE NATIONAL COUNCIL OF STATE LEGISLATURE'S OCCUPATIONAL LICENSING DATABASE OR THE SMALL BUSINESS ASSOCIATION'S LICENSES AND PERMITS APPLICATIONS TO LEARN ABOUT RULES AND REGULATIONS IN YOUR STATE.  
REACH OUT TO LOCAL BUSINESS OWNERS AND ENTREPRENEURS TO LEARN ABOUT WHAT KINDS OF REGULATIONS THEY NEED TO COMPLY WITH.

