

RESEARCH SUMMARY

Lessons from British Columbia’s Successful Red Tape Reduction: How the United States Can Improve Current Regulatory Reform Efforts

President Trump’s Executive Order 13771 requires that for each new executive branch regulation proposed, two rules must be identified for repeal. On the surface this resembles an initiative begun in 2001 in the Canadian province of British Columbia that reduced regulation levels by 48 percent in 16 years. However, a closer inspection reveals significant differences between the two initiatives that could limit the effectiveness and longevity of the US effort.

James Broughel and Laura Jones consider those differences in “[Effective Regulatory Reform: What the United States Can Learn from British Columbia](#).” While the United States has made notable changes to its current regulatory structure, the scope of its reforms has been limited to such an extent that most new regulations do not require offsets under the administration’s two-for-one policy. The authors see opportunities to improve the government’s ability to reduce red tape on a continuous basis by taking the following steps.

USE SYMMETRY TO ELIMINATE REPORTING CONFUSION

Currently, the Office of Information and Regulatory Affairs (OIRA) guidelines for implementation of Executive Order 13771 determine that the regulations to be offset should be “significant regulations,” but that the burdens of these rules can be offset with any regulations with positive cost. This asymmetry makes reporting difficult and leads to confusion and criticism. Changing this rule and making it symmetric would ensure that the same types of rules count as “ins” and “outs.”

CREATE A SIMPLE, PARALLEL REGULATORY ACCOUNTING SYSTEM

With the benefit of hindsight, we can see that British Columbia found success by using a simple, apples-to-apples measure of regulation, applying it broadly, and establishing a clear, tangible baseline against which progress could be measured. The US reforms can be expanded to include these features. The administration’s current reforms, based on its “opportunity cost” measure of regulation, can continue largely in the same form (with the symmetry problem fixed as suggested above) for the largest federal regulations. A simple, parallel regulatory accounting system would encompass everything else.

- *Adopt a simple measure.* Measures such as opportunity cost can make sense when analyzing the biggest regulations one at a time as part of a regulatory impact analysis, but opportunity cost is less well suited for managing a reform to reduce the overall level of regulation. In contrast, counts of regulatory requirements or restrictions can prove very useful for tracking aggregate regulation levels and setting targets for where those levels should move over time.
- *Use the simple measure to estimate a baseline level of federal regulation.* Establishing a simple but useful baseline can help everyone more easily see what’s changing, when, where, and by how much. Having a

baseline assisted British Columbia's efforts to set a target of eliminating one-third of requirements within three years—and achieve it. The combination of a simple measure and a baseline estimate helped BC ensure focus, urgency, and accountability.

- *Broaden the scope of reform.* The two-for-one requirement in British Columbia applied to nearly all legislation, regulation, and policy documents affecting the province. By contrast, in the United States only a small number of “significant” regulations need to be offset, with the vast majority of new regulations exempt. These represent about 8 percent of new rules in recent years, and due to various exemptions the administration may be offsetting as little as 1 percent of new rules. Armed with a simpler measure of regulation and a baseline estimate of the aggregate level of regulation, the US two-for-one requirement can be expanded to include all regulation, as well as policy documents and perhaps even legislation. The United States can also adopt clear time-bound reduction targets, such as a one-third reduction in three years.
- *Create more transparency through regular reporting.* Regulatory agencies should submit counts of regulatory requirements or restrictions to OIRA so this information can be compiled and published on a periodic basis. The overall count should include requirements found in agency regulation and guidance documents. OIRA (or some other entity) could produce an additional tally of requirements found in legislation.

APPOINT A REFORM LEADER

The president should appoint a “regulatory quarterback” charged with implementing the reform (including the reporting and accounting systems suggested above) across the entire federal government. The closest equivalent is the OIRA administrator. However, OIRA only reviews a small subset of federal regulations, and many agencies (including independent agencies) are outside OIRA's purview.