The Virginia Model of Regulatory Reform:

A Roadmap for

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James Broughel

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- *Expanding Pharmacists' Prescriptive Authority: Options for Reform*
- *Taming the Occupational Licensing Boards and Creating Jobs*

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Foreword
by Lynn Taylor, CEO
Virginia Institute for Public Policy

Since November 2024, discussion of government waste has become increasingly prominent in public discourse. The stated desire of the new Department of Government Efficiency (DOGE) to cut public spending at the federal level is nothing new. This goal has been attempted before, in various ways. Ronald Reagan established the Grace Commission in 1982; the Hoover Commission was set up in 1947; and, the Brownlow Committee was formed during the Roosevelt administration. More recently, in 2003 President George W. Bush created the National Commission on the Public Service. These attempts have often been half-hearted and have not secured the savings required.

At the Virginia Institute for Public Policy, we have a simple belief. Every penny spent by the state or federal government is one that we, the people, pay for in our taxes. There is a responsibility on governments at all levels to steward that money wisely. It is not their money; it is ours.

We may go one step further, and say that unnecessary government regulations cost us all money indirectly. Every regulation brings with it compliance costs. Those costs are paid for by the taxpayer in a different way: higher prices, and resulting inflation. It is incumbent upon our politicians to find ways of minimizing that regulatory burden. By lightening the load on business, business can thrive. When business thrives, it pays more tax and increases government revenue. Some regulations are necessary, for example when public health or public safety is genuinely at risk. Far too often, though, regulation for the sake of regulation has become the norm.

The "Virginia Model" studied here by Dr. James Broughel is one of the most successful regulation-cutting exercises in our nation's history. The regulatory burden has been cut dramatically through a series of targets, and the determination to understand that over-regulation strangles innovation. It can be no coincidence that, as Dr. Broughel notes, Virginia ranked as the top state for business in 2024 according to CNBC's annual rankings.

The Virginia Model is an incredible starting point, one from which other states would do well to learn. It is a model which should be non-partisan; politicians of all sides *should* be opposed to waste and inefficiency. The effect is cumulative, with more savings made as every year goes by. By now, Virginians are already enjoying an annual $1.2 billion saving. But it is only a starting point—more can, and should, be done in the coming years to ensure that Virginia is always at the cutting edge of innovation in the United States.

Coming at a time when there is finally genuine public debate about how best to ensure taxpayers' money is always stewarded wisely, I highly commend this research to you. James Broughel's research is an important contribution to the debate, signposting for other states how Virginia's approach can not only be emulated by other states and indeed the federal government itself, but indeed how it can be improved upon.

Introduction

Regulatory accumulation refers to the fact that each year more new regulations tend to be added to the lawbooks than old regulations are removed, leading to growth in the body of law over time. This tendency often produces perverse effects. In recent decades, the United States has witnessed a substantial slowdown in its rate of economic growth[1], with estimates suggesting an annual reduction of approximately $4 trillion, or 25 percent of GDP, due to the cumulative weight of federal regulations[2]. This staggering figure underscores the profound impact that federal regulatory policies have on economic growth and living standards, as the loss amounts to approximately $13,000 per person each year. In response to this challenge, and as a means to revive economic vitality, the federal government has begun to explore approaches to regulatory reform.

Many are acquainted with the Department of Government Efficiency (DOGE), led by Elon Musk, and its mandate to reduce wasteful spending in Washington, D.C.[3] Additionally, President Trump has prioritized regulatory reform as a central policy objective, both in his current administration and during his first term in office.[4]

At the same time, states are also actively engaged in regulatory reform efforts. Virginia is a state that has emerged as a leader in this area, implementing a series of ambitious regulatory reforms that span two gubernatorial administrations. Beginning under Governor Ralph Northam and significantly expanded under Governor Glenn Youngkin, these efforts represent one of the most ambitious attempts in recent years to reduce unnecessary burdens on businesses and expand opportunities for residents.

Virginia's reform efforts include the establishment of a regulatory reduction pilot program focused on reducing occupational licensing burdens during the tenure of Governor Northam, as well as additional reforms under Governor Youngkin, which include creation of the Office of Regulatory Management (ORM), the introduction of updated cost-benefit analysis requirements for regulations, the creation of an online permit transparency portal, and the push for a regulatory budget based on the goal of reducing the number of requirements in the state administrative code by 25 percent.

At the time of writing, the Youngkin administration appears on track to meet its ambitious reduction goal, having cut 21 percent of regulatory requirements in state regulations.[5] Therefore, Virginia's experience offers valuable lessons for states and the federal government as they continue to grapple with the challenge of regulatory accumulation.

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1 Robert J. Gordon, *The Rise and Fall of American Growth: The U.S. Standard of Living since the Civil War*, Princeton, NJ: Princeton University Press, 2017.
2 Bentley Coffey, Patrick A. McLaughlin and Pietro Peretto, "The Cumulative Cost of Regulations," *Review of Economic Dynamics* No. 38 (2020), pp. 1–21, https://doi.org/10.1016/j.red.2020.03.004.
3 President Donald J. Trump, "Establishing and Implementing the President's 'Department of Government Efficiency,'" Executive Order, January 20, 2025, https://www.whitehouse.gov/presidential-actions/2025/01/establishing-and-implementing-the-presidents-department-of-government-efficiency/.
4 President Donald J. Trump, "Unleashing Prosperity Through Deregulation," Executive Order, January 31, 2025, https://www.whitehouse.gov/presidential-actions/2025/01/unleashing-prosperity-through-deregulation/.
5 Virginia Office of Regulatory Management, "ORM Regulatory Modernization Highlights," January 29, 2025, https://www.orm.virginia.gov/newsletters/name-1039816-en.html.

Despite its successes, Virginia remains the 16th most regulated state in the nation as of 2024. Its regulatory code includes 145,818 individual regulatory restrictions according to a Mercatus Center analysis of its 2023 regulatory code (see Figure 1).[6] This includes more than 41,000 in the areas of environmental protection, public utilities and natural resources, and more than 33,000 in health services. However, these numbers may have declined somewhat in light of the Youngkin administration's reduction efforts.

Figure 1: Policy areas targeted by Virginia State Regulation (2023)
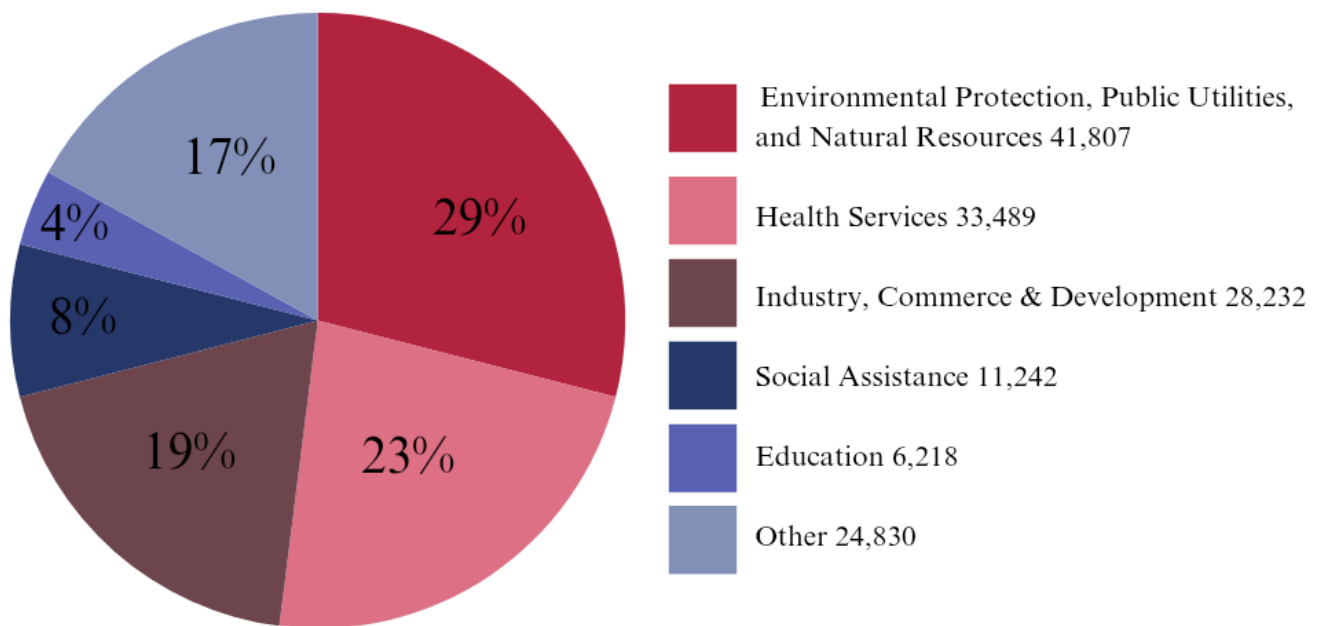
To put these figures in context, the federal Code of Federal Regulations contains more than 1.3 million individual regulatory restrictions as of 2022.[7] Thus, despite obvious room for improvement, the Virginia experience offers a potential roadmap for achieving meaningful regulatory reductions. This study aims to contribute to this important policy discussion by providing a detailed examination of Virginia's approach to regulatory management and its implications for other jurisdictions' reform efforts.

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6 Dustin Chambers and Patrick McLaughlin, "Virginia's Regulatory Landscape," Mercatus Center at George Mason University, August 6, 2024, https://www.mercatus.org/regsnapshots24/virginia.
7 Patrick McLaughlin, Michael Gilbert, Jonathan Nelson, and Thurston Powers, "RegData U.S. 5.0 User's Guide," Quantogov.org, July 31, 2023, https://quantgov-documentation.s3.amazonaws.com/regdata_5_0_user_guide.pdf.

Background on Reforms under Governor Northam

In 2018, Virginia began its regulatory reform journey under Governor Ralph Northam's administration. The General Assembly passed HOUSE BILL 883, the Regulatory Reduction Pilot Program, with wide bipartisan support.[8] As a Democrat, Northam's support of the General Assembly's initiative reflected a growing bipartisan consensus on the need to address the regulatory burden. The legislation focused initially on two state agencies: the Department of Professional and Occupational Regulation (DPOR) and the Department of Criminal Justice Services (DCJS). These agencies were selected largely because a bipartisan consensus had formed that occupation licensing regulations comprise a barrier to opportunity for many workers.[9] These two agencies had a substantial regulatory footprint, overseeing approximately 8 percent of the sections in the Virginia administrative code.[10]

The pilot program mandated that these agencies conduct a comprehensive review of their regulations and set a goal of reducing regulatory requirements by 25 percent from initial levels over a three-year period ending July 1, 2021.[11] To establish a baseline, both agencies were required to produce a count of their total "regulatory requirements."[12] This count was conducted by civil servants reading through their respective departments' rules and tallying each requirement in place. By late 2018, the two agencies had identified a total of 6,226 requirements between them (2,730 at DPOR and 3,496 at DCJS).[13]

Requirements for which agencies lacked discretion to amend, because they were mandated by state or federal law, were specifically excluded from the definition of "regulatory requirement" as outlined in the pilot program law.[14] Thus, the agencies interpreted the required cuts as applying only to discretionary requirements—those not required by law but issued at the agency's discretion. Of the total requirements, 4,947 (about 80 percent) were identified as discretionary, implying a reduction target of approximately 1,200 requirements.[15]

> " *Over the three-year period, DPOR exceeded the 25 percent reduction goal, achieving a 26.91 percent reduction in regulatory requirements.*

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8 HB 883, 2018 Gen. Assemb., Reg. Sess. (Va. 2018), https://lis.virginia.gov/cgi-bin/legp604.exe?181+sum+HB883.

9 U.S. Department of the Treasury, Council of Economic Advisers, and U.S. Department of Labor, "Occupational Licensing: A Framework for Policymakers," July 2015, https://obamawhitehouse.archives.gov/sites/default/files/docs/licensing_report_final_nonembargo.pdf.

10 James Broughel, "The Regulatory Budget in Theory and Practice: Lessons from the US States," *Harvard Journal of Law and Public Policy* Vol. 45.1 (2022), p. 23, https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4235287.

11 HB 883, Regulatory Reduction Pilot Program.

12 A regulatory requirement was defined as "any action required to be taken or information required to be provided in accordance with a statute or regulation in order to access government services or operate and conduct business." See Virginia 2018 Uncodified Acts, Chapter 444, https://law.lis.virginia.gov/uncodifiedacts/2018/session1/chapter444/.

13 Letter from Aubrey L. Layne Jr., Virginia Secretary of Finance, to Members of the Virginia House of Delegates & Senate (Oct. 22, 2018).

14 Virginia 2018 Uncodified Acts, Chapter 444.

15 James Broughel, "The Regulatory Budget in Theory and Practice: Lessons from the US States," p. 23.

The implementation of the pilot program yielded some impressive results, particularly at DPOR. Over the three-year period, DPOR exceeded the 25 percent reduction goal, achieving a 26.91 percent reduction in regulatory requirements.[16] This success was primarily achieved through a combination of streamlining existing requirements (85 percent of reductions) and eliminating unnecessary ones (15 percent of reductions).[17] DPOR's efforts included expanding opportunities for licensure eligibility, improving business processes, repealing unnecessary language and requirements, and incorporating legislative updates.[18]

DCJS, while not achieving the full 25 percent target, nevertheless made significant progress, reporting a 14.14 percent reduction in regulatory requirements by the end of the pilot program.[19] This in itself remains notable, given the usual tendency in government is for regulations to accumulate. DCJS was able to change course by focusing its efforts on streamlining the application process for licenses, registrations, and certifications, as well as eliminating unnecessary requirements related to training standards.[20] Figure 2 shows the reduction trajectories of DPOR and DCJS over the course of the three-year pilot program.

Figure 2: Regulatory Reductions at Virginia DPOR and DCJS, 2019-2021
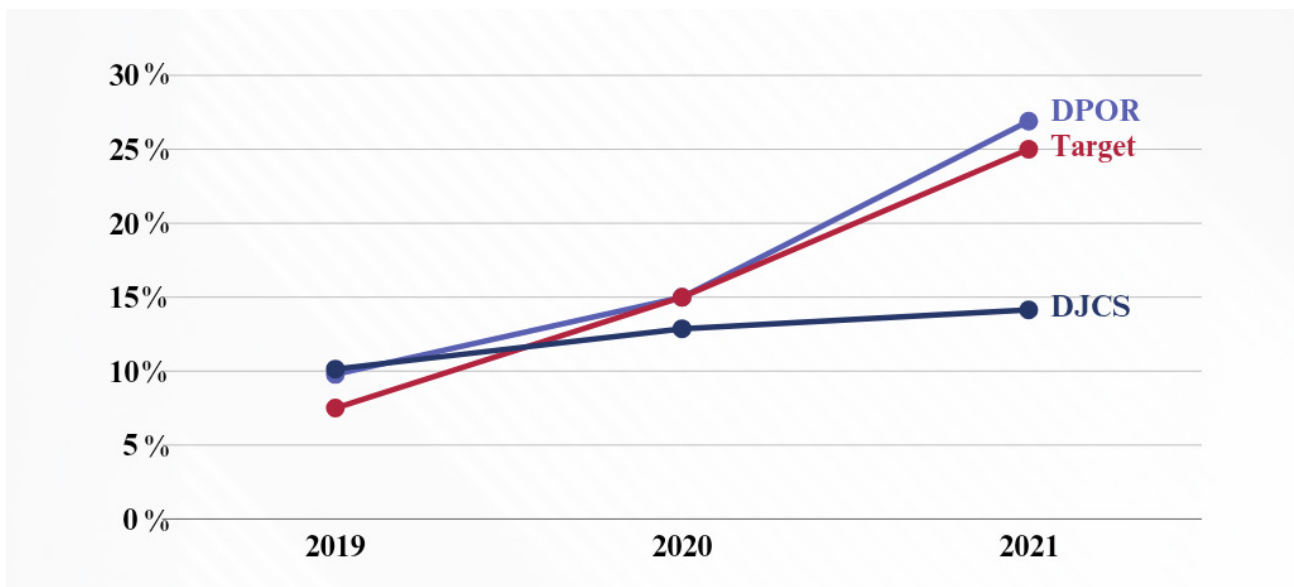
*Source: Commonwealth of Virginia, RD356— Commonwealth of Virginia Report to the
General Assembly on the Regulatory Reduction Pilot Program, pp. 8, 10.*

In addition to the quantitative reductions achieved, the pilot program led to some qualitative improvements in regulatory processes. For instance, DCJS implemented an internet-based, electronic application system that reduced processing times for licenses, registrations, and certifications.[21] The system improved delivery times to regulated entities, with turnaround times across all categories reduced by over 20 percent from 2019 to 2020, and by almost 42 percent from 2020 to 2021.[22]

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16 Commonwealth of Virginia, RD356— Commonwealth of Virginia Report to the General Assembly on the Regulatory Reduction Pilot Program (Aug. 15, 2021), https://rga.lis.virginia.gov/Published/2021/RD356.
17 Commonwealth of Virginia, RD356, p. 8.
18 Commonwealth of Virginia, RD356, p. 8.
19 Commonwealth of Virginia, RD356, p. 3.
20 Commonwealth of Virginia, RD356, p. 10.
21 Letter from Shannon Dion, Director of the Virginia Department of Criminal Justice Services, to the Honorable Aubrey L. Layne, Jr., Secretary of Finance, June 25, 2021, https://rga.lis.virginia.gov/Published/2021/RD356/PDF.
22 Letter from Shannon Dion to the Honorable Aubrey L. Layne, Jr., June 25, 2021.

The pilot program also overlapped with or spurred broader regulatory reform efforts. The Board for Professional and Occupational Regulation, which provides oversight for DPOR, conducted evaluations of several professions, recommending deregulation for soil scientists, waste management facility operators, and common interest community manager employees, while affirming the need for some continued regulation of landscape architects, interior designers, backflow prevention device workers, and wetland delineators.[23]

The pilot program included elements that extended beyond just the two initial agencies. In addition to their reduction goals, all other executive branch agencies subject to the state Administrative Process Act were required to submit regulatory catalogs that included counts of their regulatory requirements by July 1, 2020.[24] Despite challenges posed by the COVID-19 pandemic, 38 out of 39 agencies successfully submitted their catalogs by August of 2021,[25] demonstrating broad engagement with regulatory reform across the state government.

While the pilot program achieved some significant successes, it also resulted in the identification of areas in need of improvement, some of which stood in the way of the pilot program being as effective as it could have been. These problem areas included:[26]

• **Inconsistent Definition and Counting of Regulatory Requirements:** Agencies varied in how they defined and counted regulatory requirements, leading to inconsistent baselines and some incomparability between agencies statistics.

• **Accuracy of Information on Specific Authority for Regulations:** Some agencies were uncertain about whether specific regulations stemmed from explicit statutory mandates or general agency authority. Without clear knowledge of the legal basis, agencies struggled to determine which regulations were discretionary and subject to reduction.

• **Clarity of Exemptions Asserted by Agencies:** The Regulatory Reduction Pilot Program applied only to executive branch agencies subject to the state Administrative Process Act (APA). Agencies self-reported exemptions from the APA, but not all exemptions could be verified, limiting the comprehensiveness of the reduction efforts.

• **Proper Treatment of Documents Incorporated by Reference:** Agencies were inconsistent in how they handled external documents incorporated by reference in regulations. Some agencies viewed such documents as optional guidelines, while others treated them as enforceable regulatory requirements. Some agencies no longer had copies of referenced documents.

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23 Board for Professional and Occupational Regulation, "RD 690 - Evaluation of the Need for Continued Regulation of Certain Professions and Occupations as Recommended by the Joint Legislative Audit and Review Commission: Final Report to the General Assembly," December 17, 2020, https://rga.lis.virginia.gov/Published/2020/RD690.
24 HB 883, Regulatory Reduction Pilot Program.
25 Commonwealth of Virginia, RD356, p. 16.
26 Commonwealth of Virginia, RD356, pp. 17-18.

Governor Youngkin's Regulatory Reform Initiatives

Building upon the foundation laid by his predecessor, Governor Glenn Youngkin significantly expanded Virginia's regulatory reform efforts. On January 15, 2022, shortly after taking office, Governor Youngkin issued Executive Directive One, which mandated a 25 percent reduction in regulatory requirements across all executive branch agencies.[27] This directive effectively expanded the scope of the regulatory reduction pilot program initiated under Governor Northam to all state agencies under the authority of the governor.

The cornerstone of Youngkin's regulatory reform agenda is Executive Order 19, issued on June 30, 2022.[28] This order established the Office of Regulatory Management (ORM) within the Office of the Governor, creating a centralized entity to oversee and coordinate regulatory review across the executive branch. The ORM's mandate includes three key elements:

1. Oversight and implementation of the 25 percent reduction in regulatory requirements;

2. Streamlining of regulatory and permitting approval processes; and

3. Increasing transparency of all state executive branch regulations by improving the economic analysis of state agencies.

ORM resembles similar regulatory review bodies at the federal level and in some states, including the Office of Information and Regulatory Affairs in Washington, D.C.,[29] as well as Rhode Island's Office of Regulatory Reform.[30] Both of these agencies are executive branch offices whose mission is to review regulations and their accompanying economic analysis, and to provide feedback and guidance aimed at improving the quality of regulatory analysis.

A critical component of Executive Order 19 is the requirement for agencies to conduct regulatory economic analysis for regulations and guidance documents and to have this economic analysis reviewed by the ORM.[31] The ORM has developed standardized tools to facilitate this analysis, including the ORM Economic Analysis Manual,[32] an Economic Review Form,[33] and the ORM Cost-Benefit Analysis (CBA) Worksheet.[34] These instruments help agencies to quantify and monetize the costs and benefits of proposed regulations, as well as identify impacts on affected parties, including local governments, families, and small businesses, enabling more transparent and economically grounded regulatory decision-making.

Youngkin's tools also facilitated changes in tracking the number of regulatory requirements agencies impose, thereby assisting in the goal of reducing requirements by one fourth. ORM created a Regulatory Reduction Guide and a Model Requirement Tabulation form.[35] The Regulatory Reduction Guide in

27 Governor Glen Youngkin, Executive Directive Number One, January 15, 2022, https://www.governor.virginia.gov/media/governorvirginiagov/governor-of-virginia/pdf/ed/ED-1-Regulatory-Reduction.pdf.

28 Governor Glen Youngkin, Executive Order Number Nineteen, June 30, 2022, https://www.governor.virginia.gov/media/governorvirginiagov/governor-of-virginia/pdf/eo/EO-19-Development-and-Review-of-State-Agency-Regulations.pdf.

29 Executive Order No. 12,866, 58 Federal Register 51735, October 4, 1993, https://www.archives.gov/files/federal-register/executive-orders/pdf/12866.pdf.

30 "Office Of Regulatory Reform," State of Rhode Island Office of Management and Budget Department of Administration, accessed August 1, 2024, https://omb.ri.gov/regulatory-reform.

31 Office of Regulatory Management, "Office of Regulatory Management: Regulatory Economic Analysis," One-Pager, n.d., https://www.orm.virginia.gov/media/governorvirginiagov/orm/pdf/Reg-Econ-Analysis-One-Pager.pdf.

32 Office of Regulatory Management, "Regulatory Economic Analysis Manual," December 2022 (Rev. January 2024), https://townhall.virginia.gov/UM/Coord_Resources/ORM%20Regulatory%20Economic%20Analysis%20Manual.pdf.

33 Office of Regulatory Management, "Regulatory Economic Analysis Manual," p. 33.

34 "Forms," Virginia Regulatory Town Hall, accessed August 1, 2024, https://townhall.virginia.gov/um/forms.cfm.

35 Office of Regulatory Management, "Regulatory Reduction Guide," April 2023,

particular helped address many of the problems related to inconsistency that arose during the Northam administration, for example by clarifying and standardizing regulatory definitions across state agencies.

It is worth noting that while the 25 percent reduction goal is ambitious, it has a precedent in Virginia and elsewhere. First, the Northam administration's pilot program sought a one quarter reduction goal at the two pilot agencies. Other states have similarly set reduction goals in the range of 25 to 33 percent as part of their own regulatory reduction efforts.[36] The success of DPOR in particular demonstrates the goal's feasibility. Notably, the reduction goal applies to guidance documents as well,[37] ensuring that less formal modes of regulating the private sector do not escape the reforms.

However, it is important to emphasize that the goal of these reforms is not indiscriminate deregulation. As stated on the ORM website, "Virginia's goal is definitely not to eliminate regulations that protect public health and safety."[38] Instead, the initiative aims to "right-size" regulations, ensuring they achieve their objectives at the lowest possible cost to the public.[39]

Virginia Permit Transparency

Building further upon these regulatory reform efforts, Governor Youngkin has also launched the Virginia Permit Transparency (VPT) initiative, which consists of a new VPT website that was launched in early 2024. The online permit tracking portal began at the Department of Environmental Quality as a pilot program.[40] It has subsequently been expanded to include permits from seven more state agencies: the Virginia Marine Resources Commission, the Department of Energy, the Department of Health, the Department of Transportation, the Department of Conservation and Recreation, the Department of Agriculture and Consumer Services, and the Department of Motor Vehicles, with more planned to be added in the near future.[41] The expansion now allows the public to track more than 100,000 permits issued annually by these agencies,[42] providing detailed information about permit applications, including the applicant, permit type, location, and the current status of the application.

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https://townhall.virginia.gov/misc/Regulatory%20Reduction%20Guide.pdf; Office of Regulatory Management, "Regulatory Requirement Example (Regulations for Nurse Aide Education Programs)," June 2024, https://townhall.virginia.gov/misc/Regulatory%20Requirement%20Example%20(Regulations%20for%20Nurse%20Education%20Programs).pdf.

36 Most recently, Indiana set a 25 percent reduction goal. See Governor Michael K. Braun, "Indiana Executive Order 25-17: Promoting Freedom and Opportunity for Hoosiers by Reducing Regulation and Controlling Regulatory Costs," January 14, 2024, https://www.in.gov/gov/files/EO-25-17.pdf; for other examples, see James Broughel and Dustin Chambers, "Learning from State Regulatory Streamlining Efforts," National Governors Association, July 1, 2022, https://www.nga.org/publications/learning-from-stateregulatory-streamlining-efforts/.

37 Office of Regulatory Management, "Regulatory Reduction Guide," April 2023, https://townhall.virginia.gov/misc/Regulatory%20Reduction%20Guide.pdf.

38 "Office of Regulatory Management: Regulatory Reduction," Office of Regulatory Management, accessed August 1, 2024, https://www.orm.virginia.gov/media/governorvirginiagov/orm/pdf/Reg-Reduction-One-Pager.pdf.

39 Cost-benefit analysis of the sort ORM requires evaluates "social costs," including costs falling on private entities. Most of the costs of regulation are off budget for the government.

40 "State Innovation Video 2023: Virginia Permitting Enhancement & Evaluation," Environmental Council of the States, August 28, 2023, https://www.ecos.org/news-and-updates/state-innovation-video-2023-virginia-permitting-enhancement-evaluation/.

41 Dave Ress, "New state website allows public to track more than 100,000 permits in Virginia," *Richmond Times-Dispatch*, June 23, 2024, https://richmond.com/news/state-regional/government-politics/virginia-permit-transparency-website-youngkin-regulations/article_2932220c-2fe2-11ef-82b0-6b79d3b9c1ce.html.

42 Governor of Virginia, "Governor Glenn Youngkin Announces Major Expansion of Virginia Permit Transparency Website," press release, June 21, 2024, https://www.governor.virginia.gov/newsroom/news-releases/2024/june/name-1029157-en.html.

One of the key features of the VPT website is its ability to show the duration of each step in the permitting process, enabling agencies to identify bottlenecks and opportunities for expediting procedures.[43] The transparency effort has yielded some significant results. The Department of Environmental Quality has reported a 70 percent reduction in average permit processing time since 2022.[44] The VPT initiative has garnered awards for its comprehensive approach to regulatory transparency.[45] According to the governor's office, no other state government or federal agency offers a similarly comprehensive system for permit tracking.[46] The VPT portal already covers the vast majority of permit applications in the state.[47]

Governor Glenn Youngkin significantly expanded the state's focus on permitting efficiency through Executive Order 39, issued in 2024.[48] That EO directs agencies to eliminate obsolete approvals, improve multi-step permit processes, and further digitize the application experience. The EO requires agencies to inventory all approval types they issue, as well as annual processing volumes, average processing times, and associated fees, and submit these data to the Governor's Office by the end of the year. Additionally, agencies must map out their approval processes, assign ownership to responsible officials, and implement tracking mechanisms—such as live dashboards or the VPT portal—to monitor application durations. Where feasible, agencies are directed to convert individual case-by-case permits into general permits to expedite approvals and phase out paper-based processing in favor of digital submissions. Agencies were required to submit improvement plans to the governor and report progress quarterly beginning early 2025.

In short, Executive Order 39 builds upon the permitting reforms previously implemented under Governor Youngkin's administration and reinforces its commitment to leveraging technology to enhance government efficiency.

> " *According to the governor's office, no other state government or federal agency offers a similarly comprehensive system for permit tracking.*

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43 James Broughel, "Transparency on Tap: Virginia's online permit revolution," Competitive Enterprise Institute, June 12, 2024, https://cei.org/studies/transparencyontap/.

44 Governor of Virginia, "Governor Glenn Youngkin Announces Major Expansion of Virginia Permit Transparency Website."

45 "State Innovation Award," Environmental Council of States, accessed August 1, 2024, https://www.ecos.org/about-ecos/awards/innovation-award/.

46 Governor of Virginia, "Governor Glenn Youngkin Announces Major Expansion of Virginia Permit Transparency Website."

47 Reeve Bull, "Virginia's New Permitting Dashboard Solidifies Virginia's Status as the Top State for Business," Virginia Chamber of Commerce, August 1, 2024, https://vachamber.com/2024/08/01/virginias-new-permitting-dashboard-solidifies-virginias-status-as-the-top-state-for-business/.

48 Governor Glenn Youngkin, "Executive Order 39: Promoting Transparency and Efficiency in Permitting and Licensing," October 18, 2024, https://www.governor.virginia.gov/media/governorvirginiagov/governor-of-virginia/pdf/eo/EO-39---Promoting-Transparency-and-Efficiency-in-Permitting-and-Licensing.pdf.

Results of Virginia's Regulatory Modernization Efforts

Virginia's regulatory modernization efforts have produced additional benefits, including substantial cost savings, reduced red tape, and improved efficiency across state agencies. As of early 2025, agencies have successfully streamlined 21 percent of total regulatory requirements and eliminated 41 percent of the text in guidance documents, bringing the Commonwealth closer to its 25 percent reduction target. About half of state agencies had already met their regulatory reduction goal at that time, and two-thirds had reached the corresponding 25 percent guidance document reduction goal.

Interestingly, there is evidence that significant numbers of regulatory requirements can be eliminated through individual regulatory actions. For example, the Virginia Department of Transportation (VDOT) eliminated hundreds of pages of incorporated documents from its rules, replacing the text with more clear instructions about what requirements apply in department permits. This single regulatory action eliminated over 9,000 regulatory requirements, representing 12.7 percent of its total requirements and 2.8 percent of all state requirements.[49] In total, VDOT is expected to achieve a reduction of about 46 percent across all its rules.[50]

The Virginia Department of Housing and Community Development has implemented major modifications to the state's Building Code that are projected to save $723 million annually and reduce the cost of constructing a new home by approximately $24,000.[51] At a time when housing costs are rising rapidly nationwide, these regulatory adjustments position Virginia as a leader in reducing construction expenses and expanding housing availability.[52]

As already noted, another high-impact reform has been in the permitting and licensing process. The Virginia Department of Environmental Quality (DEQ) reduced permit processing times by 70 percent, saving businesses and residents $40 million annually. The Virginia Marine Resources Commission's creation of a general permit for subaqueous beds is expected to save $47 million per year.[53] Meanwhile, the state DPOR accelerated licensing approvals by 85 percent, bringing processing times down from 33 days to just five, unlocking $179 million in increased earnings potential per year.[54]

Regulatory economic analysis has played a crucial role in ensuring that reforms generate tangible economic benefits. The Board of Social Services eliminated notarization requirements for childcare forms, saving $900,000 per year, while the Board for Barbers and Cosmetology reduced training hours for cosmetologists from 1,500 to 1,000, saving $2.7 million annually.[55] The Department of Elections eliminated witness signature requirements for absentee ballots, cutting administrative costs and saving $7.1 million per year.[56]

Beyond reducing regulatory burdens, Virginia agencies have also streamlined their guidance documents. The Virginia Department of Social Services (VDSS) undertook a major revision of its Child & Family

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49 Reeve T. Bull, "ORM Regulatory Modernization Highlights," January 29, 2025, https://www.orm.virginia.gov/newsletters/name-1039816-en.html.
50 Personal Communication with official from the Office of Regulatory Management, February 10, 2025.
51 Reeve T. Bull, "The Virginia Model for Regulatory Modernization," The Regulatory Review, November 18, 2024, https://www.theregreview.org/2024/11/18/bull-the-virginia-model-for-regulatory-modernization/.
52 Reeve Bull and Bryan Horn, "Virginia Is a Model for Lowering Housing Costs," City Journal, January 30, 2025, https://www.city-journal.org/article/home-prices-housing-market-virginia.
53 "Office of Regulatory Management: Regulatory Reduction," Office of Regulatory Management.
54 Governor Glenn Youngkin, "Executive Order 39: Promoting Transparency and Efficiency in Permitting and Licensing."
55 Office of Regulatory Management, "Office of Regulatory Management: Regulatory Economic Analysis," One-Pager, n.d., https://www.orm.virginia.gov/media/governorvirginiagov/orm/pdf/Reg-Econ-Analysis-One-Pager.pdf.
56 Office of Regulatory Management, "Office of Regulatory Management: Regulatory Reduction," One-Pager, n.d.

Services Manual, consolidating five legacy documents into one and cutting 556,000 words.[57] Similarly, the Department of Labor and Industry reduced 66 percent of its outdated guidance documents, while the DEQ has reduced guidance length by 44 percent,[58] including consolidated multiple water documents, reducing their total length by 81% percent.[59] The Department of Environmental Quality's revision of its Stormwater Management Handbook—reducing it from 11,600 pages to about 1,800 pages[60]—is projected to save $124 million annually.[61] As of early 2025, the DEQ has reduced regulatory requirements by 25.4 percent.[62]

In the interim, while all of these improvements have been ongoing, the time for gubernatorial review of proposed regulations fell dramatically from approximately 240 days to under 14 days.[63] Beyond reforms overseen by ORM, other state agencies have also been hard at work improving customer experience. For example, the Department of Motor Vehicles has seen customer wait times at service centers fall by more than 70 percent, reducing the average visit from 37 minutes to just 10 minutes.[64]

All told, aggregate savings are projected to be in the range of $1.2 billion per year.[65] The success of Virginia's regulatory modernization underscores the transformational impact of streamlining government administrative processes. By cutting unnecessary requirements, eliminating outdated guidance, and reducing permitting backlogs, the state has unlocked substantial savings, improved government responsiveness, created economic opportunities for residents, and positioned itself as a leader in regulatory reform. Not surprisingly, Virginia ranked as the top state for business in 2024 according to CNBC's annual rankings.[66] These outcomes highlight the broad-based nature and substantial economic and administrative benefits of Virginia's regulatory modernization efforts.

> " *As of early 2025, agencies have successfully streamlined 21 percent of total regulatory requirements and eliminated 41 percent of the text in guidance documents.*

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57 Reeve T. Bull, "ORM Regulatory Modernization Highlights," January 29, 2025.

58 Personal communication with official from the Office of Regulatory Management, February 10, 2025.

59 Reeve T. Bull, "ORM Regulatory Modernization Highlights," October 31, 2024, https://www.orm.virginia.gov/newsletters/name-1035878-en.html.

60 Dave Ress, "New state website allows public to track more than 100,000 permits in Virginia.

61 "Office of Regulatory Management: Regulatory Reduction," Office of Regulatory Management.

62 Personal communication with official from the Office of Regulatory Management, February 11, 2025.

63 Dave Ress, "New state website allows public to track more than 100,000 permits in Virginia.

64 Governor Glenn Youngkin, "Executive Order 39: Promoting Transparency and Efficiency in Permitting and Licensing."

65 Reeve T. Bull, "President Trump Should Adopt the Virginia Regulatory Model," RealClearPolicy, January 15, 2025, https://www.realclearpolicy.com/2025/01/15/president_trump_should_adopt_virginia_regulatory_model_1084940.html.

66 CNBC.com Staff, "America's Top States for Business 2024: The full rankings," CNBC, July 11, 2024, https://www.cnbc.com/2024/07/11/americas-top-states-for-business-full-rankings.html.

Table 1: Examples of Notable Regulatory Savings in Virginia

Agency	Regulatory Action	Annual Savings / economic impact	Source
Department of Housing and Community Development (DHCD)	Modifications to the state's Building Code	$723 million	Regulatory Review Blog
DPOR	Cut license processing times from 33 days to 5 days	$179 million	EO39
DEQ	Rewrote Virginia Stormwater Management Handbook, expediting permitting	$124.2 million	ORM Regulatory Reduction One-Pager
Virginia Marine Resources Commission (VMRC)	Created a general permit for subaqueous beds, simplifying approvals	$47 million	ORM Regulatory Reduction One-Pager
DEQ	Reduced permit processing times by 70%	$40 million	EO39
Department of Elections (DOE)	Eliminated witness signature requirement for absentee ballots	$7.1 million	ORM Regulatory Reduction One-Pager
Board for Barbers and Cosmetology	Reduced cosmetology training from 1,500 to 1,000 hours	$2.7 million	ORM Economic Analysis One-Pager
Board for Barbers and Cosmetology	Eliminated beauty shop on-site bathroom requirement	$2.3 million	ORM Economic Analysis One-Pager
Board of Social Services	Eliminated notarization for childcare forms	$0.9 million	ORM Economic Analysis One-Pager
VDOT	Eliminated 9,353 regulatory requirements	Not yet quantified	ORM Highlights January 2025
VDSS	Consolidated five Child & Family Services manuals into one, reducing text by 556,000 words	Not yet quantified	ORM Highlights January 2025
Department of Labor and Industry (DOLI)	Eliminated 66% of outdated guidance documents	Not yet quantified	ORM Highlights October 31 2024
DEQ	Consolidated multiple guidance documents, reducing total length by 81%	Not yet quantified	ORM Highlights October 31 2024

Challenges and Areas for Improvement

While Virginia's regulatory initiatives under both the Northam and Youngkin administrations have undoubtedly produced impressive results, several areas for improvement nonetheless remain. One of the primary challenges facing these efforts is their temporary nature. The initial regulatory reduction pilot program under Governor Northam was established with a fixed timeline, and many of Governor Youngkin's reforms, including the creation of the ORM and the 25 percent reduction goal, were implemented through executive orders. While executive orders can be effective tools for initiating change, they are inherently vulnerable to changes in administrations, as they can easily be reversed by future governors.

To ensure the longevity of these reforms, it is imperative that they be codified into law through legislation. This would create more certainty for businesses and signal a long-term commitment to improving the regulatory environment in Virginia. Legislation could establish a permanent regulatory review body in the form of the ORM and set long-term regulatory caps that lock in and build upon the achieved reductions, thereby codifying reforms.

The approach to regulatory reduction in Virginia faced some challenges during the pilot program phase related to measurement and comparability. The Department of Planning and Budget noted that there were inconsistencies across agencies in how regulatory requirements were counted.[67] During the Youngkin administration, ORM published a standardized methodology, establishing a consistent counting method. However, ultimately agencies had to go back and rebuild their catalogues from scratch.[68]

ORM also made headway at addressing the issue that two regulatory requirements can have very different economic impacts. Agencies were encouraged to convert burden reductions into monetary terms whenever possible. ORM also created a system of partial credit, whereby agencies received credit for reducing regulatory burdens, even if a requirement wasn't eliminated in its entirety. Thus, while some of the limitations of a focus on "regulatory requirements," as opposed to cost, have been addressed, more comprehensive use of cost estimates is still possible.

Similarly, while cost-benefit analysis is a useful tool in regulatory decision-making, it is not without its problems. There are many concerns about ideological biases being baked into CBA methodologies.[69] As Virginia continues to incorporate CBA more deeply into its regulatory processes, it should be mindful of these challenges. In general, when there are tradeoffs between cost-benefit reforms and regulatory reduction goals, the latter should take priority due to the imperfections inherent to CBA.

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67 Commonwealth of Virginia, RD356, p. 17.
68 Office of Regulatory Management, Regulatory Reduction Guide," p. 3.
69 See, for example, the Biden administration's update to regulatory analysis guidelines for federal agencies, known as Circular A-4.

Lessons for Other States and Washington DC

Virginia's experience offers insights for other states considering their own regulatory reform initiatives. First, states should consider adopting a regulatory reduction program. While the specific targets and measures used can vary, the idea of setting clear, quantifiable goals for regulatory reduction efforts is a clear winner. States should consider implementing their own versions of such a program, learning from Virginia's experience in measurement and implementation.

Next, the creation of Virginia's ORM has facilitated more coordination between the governor and executive departments. States should consider establishing similar centralized review bodies to oversee regulatory activities.[70] Many states have legislative review processes, and these offer considerable value. The benefit of an ORM process is its focus on regulatory analysis. Absent information in the form of reliable analysis about the projected impacts of regulations, policy makers in both the executive and legislative branches will struggle to make the most informed decisions possible. Strengthening requirements for economic analysis by creating best practice guidelines or manuals and having analysis reviewed by a third party such as ORM is likely to improve regulatory decision making.

Next, states should implement a permit transparency system. Virginia's VPT initiative has increased transparency in the permitting process along with making government more accountable. States should develop similar systems based on digitizing their permit application procedures. In some cases, individual departments or state agencies may already have such an online portal, which could serve as a starting interface that could be expanded to other agencies and permits.

Finally, Virginia's initial pilot program with DPOR and DCJS provided insights that informed broader reform efforts. Likewise, a pilot program at DEQ helped inform the more comprehensive VPT permitting portal later. States on the fence about instituting full-throttled reforms like Virginia's might consider smaller pilot projects first to test reform strategies before full-scale implementation. If you consider that the collective salaries (including benefits) of individuals tasked with overseeing Virginia's regulatory reforms are probably in the range of $600 to $800 thousand per year, with achieved benefits from reforms estimated to be $1.2 billion per year, that's a return on investment of about 1,500 to 2,000 percent annually.[71]

Virginia's regulatory reform initiatives have implications for federal regulatory policy as well. The federal government has its own history experimenting with regulatory reduction, most notably during the first Trump administration.[72] However, these efforts were discontinued under the Biden administration and are being reinstated with only minor changes in the second Trump administration.[73] The Department of Government Efficiency run by Elon Musk is having some success streamlining government, but its focus has been on spending, rather than regulations.

Given the primary impact of Trump's regulatory reforms in his first term was to slow the growth of federal regulation, but not to significantly reduce the overall level of regulation, federal policymakers may want to draw lessons from state-level experiments like Virginia's. This could involve setting government-wide targets for reducing regulatory volume and implementing a comprehensive cataloguing system for tracking regulatory totals across agencies. In other words, the kinds of spending audits DOGE is conducting could be applied in the regulation area. Additionally, although the federal government has an online permitting dashboard, it is significantly less comprehensive and less up-to-date than Virginia's,[74] including only a subset of permits at a handful of agencies. However, the federal permitting portal uses a VPT-like interface that could serve as a starting point toward a more comprehensive permit tracking system. Here too, federal regulators can draw lessons from Virginia's innovative use of technology to track permits.

70 American Legislative Exchange Council, "An Act to Establish the Office of Regulatory Management," August 30, 2024, https://alec.org/model-policy/an-act-to-establish-the-office-of-regulatory-management/.

71 Personal communication with official from the Office of Regulatory Management, February 10, 2025.

72 Donald J. Trump, "Executive Order 13771: Reducing Regulation and Controlling Regulatory Costs," January 30, 2017, https://www.federalregister.gov/documents/2017/02/03/2017-02451/reducing-regulation-and-controlling-regulatory-costs.

73 Donald J. Trump, "Unleashing Prosperity Through Deregulation."

74 "Permitting Dashboard for Federal Infrastructure Projects," Federal Permitting Council, accessed February 9, 2025, https://www.permits.performance.gov/.

Conclusion

Virginia's regulatory reform journey since 2018 represents a guide for addressing the challenges of regulatory accumulation and its corresponding economic burden. From the initial pilot program under Governor Northam to the more comprehensive reforms implemented by Governor Youngkin, the Commonwealth has demonstrated that significant improvements in regulatory efficiency and reductions in cost are achievable.

The success of Virginia's initiatives underscores several lessons for effective regulatory reform. First are the power of pilot programs. Virginia's initial focus on two agencies—DPOR and DCJS—where there was wide agreement that regulation was excessive allowed for targeted experimentation and learning before broader implementation. A similar pilot program launched the online permitting portal.

Second, and relatedly, Virginia's consensus-building approach has been crucial in maintaining momentum across political parties and administrations. The continuity and expansion of reform efforts from the Northam to the Youngkin administration demonstrate that regulatory reform can transcend partisan divides.

Third, Virginia's experience underscores the importance of setting clear goals and utilizing concrete measures. The 25 percent reduction target provided a tangible benchmark for agencies to work toward, while the use of specific metrics like regulatory requirement counts and permit processing times allowed for objective assessment of progress.

Finally, having a clear oversight body in the form of ORM ensured agencies were given adequate guidance as to how reforms should be structured and could be held accountable when their progress fell short. ORM's regular reports on the progress of the permitting and regulatory initiatives also provided welcome transparency.

Policymakers at all levels of government should take note of the Virginia regulatory reform model and consider how similar approaches might be adapted to their own jurisdictions. By learning from Virginia's experience, governments at all levels can work to create a regulatory system that is transparent and light-touch. Progress is possible, and Virginia has provided the blueprint for how to achieve it.