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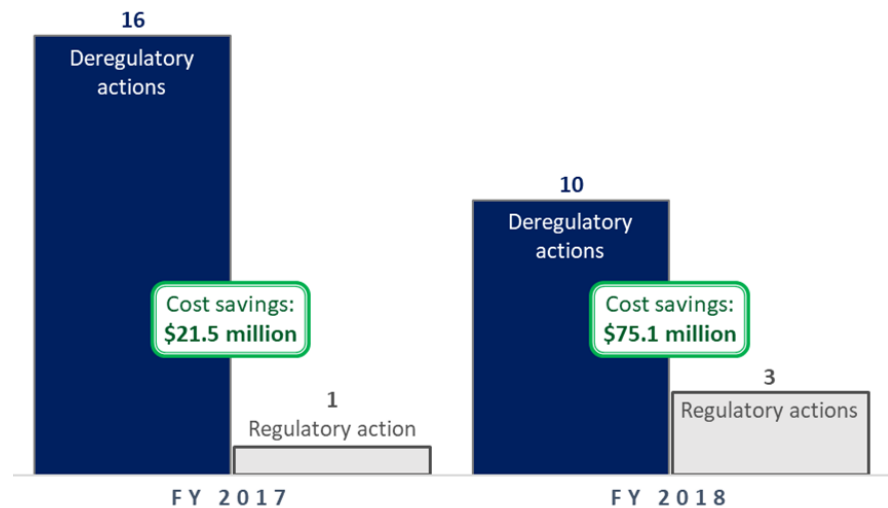


### *Compliance with the law*

# EPA Exceeded the Deregulatory Goals of Executive Order 13771

Report No. 19-P-0267

August 9, 2019



## Report Contributors:

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## Abbreviations

EO	Executive Order
EPA	U.S. Environmental Protection Agency
FY	Fiscal Year
NCEE	National Center for Environmental Economics
OCFO	Office of the Chief Financial Officer
OIG	Office of Inspector General
OMB	Office of Management and Budget

**Cover Image:** The EPA achieved cost savings of \$21.5 million in FY 2017 via 16 deregulatory actions and one regulatory action and \$75.1 million in FY 2018 via 10 deregulatory and three regulatory actions. (OIG image)

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# At a Glance

## Why We Did This Project

We conducted this audit to evaluate the U.S. Environmental Protection Agency's (EPA's) management controls for implementing Executive Order (EO) 13771, *Reducing Regulation and Controlling Regulatory Costs*. We focused on the EO's regulatory savings goals for fiscal years (FYs) 2017 and 2018, the EPA's deregulatory and regulatory actions, and the EPA's compliance with the Office of Management and Budget's (OMB's) goal-setting requirements.

EO 13771 was issued to manage the costs associated with existing and new regulations established by federal agencies. The EO stipulates that for every new regulation issued, at least two existing regulations must be identified for repeal. Also, for FY 2017, the total incremental cost of all new regulations, including repealed regulations, was to be no greater than zero. The OMB issued subsequent guidance establishing an FY 2018 regulatory savings goal of \$40 million for the EPA.

### This report addresses the following:

- *Compliance with the law.*

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## EPA Exceeded the Deregulatory Goals of Executive Order 13771

### What We Found

In FYs 2017 and 2018, the EPA exceeded its deregulatory expectations under EO 13771. In addition, the EPA exceeded the savings goals associated with the EO. Specifically, in FY 2017, the EPA achieved an annualized cost savings of \$21.5 million via 16 deregulatory actions and one regulatory action. In FY 2018, the EPA achieved an annualized cost savings of \$75.1 million via 10 deregulatory and three regulatory actions.

**In FYs 2017 and 2018, the number of EPA deregulatory actions was more than double the number of EPA regulatory actions.**

EO 13771 is commonly referred to by media outlets as the “two-for-one” EO. Specifically, the EO requires that “for every one new regulation issued, at least two prior regulations be identified for elimination.” In addition, the EO states that “any new incremental costs associated with new regulations shall ... be offset by the elimination of existing costs associated with at least two prior regulations.” An agency is in compliance with EO 13771 if, by the end of each fiscal year, its total deregulatory actions number at least two times its total regulatory actions and its cost savings goals are met.

The EPA did not develop internal guidance or management controls to implement EO 13771. Other than an Administrator's memorandum establishing a Regulatory Reform Task Force, charged with implementing EO 13771, the EPA relied solely on OMB guidance to implement the EO. We found that both the transparency of EO decision-making and the outreach for deregulatory recommendations could be enhanced and clarified in the Administrator's direction to the Regulatory Reform Task Force.

### Recommendations and Planned Agency Corrective Actions

We recommend that the EPA enhance transparency regarding EO 13771 decision-making and outreach to interested stakeholders. Although the EPA concurred—in whole or in part—with Recommendations 1a and 1b, the agency did not provide sufficient corrective actions to meet the intent of the recommendations. The agency disagreed with Recommendations 1c and 2. All recommendations are unresolved.

### Noteworthy Achievement

The EPA's National Center for Environmental Economics created a cost-accounting tool that standardized analyses after encountering uncertainty among program offices about how to satisfy OMB requirements for implementing EO 13771.



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY  
WASHINGTON, D.C. 20460

OFFICE OF  
INSPECTOR GENERAL

August 9, 2019

**MEMORANDUM**

**SUBJECT:** EPA Exceeded the Deregulatory Goals of Executive Order 13771  
Report No. 19-P-0267

**FROM:** Charles J. Sheehan, Deputy Inspector General

A handwritten signature in blue ink that reads "Charles J. Sheehan".

**TO:** Henry Darwin, Acting Deputy Administrator

This is our report on the subject audit conducted by the Office of Inspector General (OIG) of the U.S. Environmental Protection Agency (EPA). The project number for this audit was OA&E-FY18-0177. This report contains findings that describe the problems the OIG has identified and corrective actions the OIG recommends. This report represents the opinion of the OIG and does not necessarily represent the final EPA position. Final determinations on matters in this report will be made by EPA managers in accordance with established audit resolution procedures.

The office responsible for the findings outlined in this report is the Office of the Administrator.

**Action Required**

This report contains unresolved recommendations. In accordance with EPA Manual 2750, the resolution process begins immediately with the issuance of this report. We are requesting a meeting within 30 days between the acting Deputy Administrator and the OIG's Assistant Inspector General for Audit and Evaluation. If resolution is still not reached, the Office of Policy is required to complete and submit a dispute resolution request to the Chief Financial Officer.

We will post this report to our website at [www.epa.gov/oig](http://www.epa.gov/oig).

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# Chapter 1

## Introduction

### Purpose

The Office of Inspector General (OIG) conducted this audit to evaluate the U.S. Environmental Protection Agency's (EPA's) management controls for implementing Executive Order (EO) 13771, *Reducing Regulation and Controlling Regulatory Costs*.

### Background

#### **EO 13771**

On January 30, 2017, the President issued EO 13771, *Reducing Regulation and Controlling Regulatory Costs*, to manage the costs associated with existing and new regulations established by federal agencies. The EO and subsequent Office of Management and Budget (OMB) guidance stipulate that for every new regulation that is finalized, at least two prior regulations must be identified for repeal, replacement or modification. Moreover, the EO and OMB guidance establish regulatory budgets for federal agencies. For fiscal year (FY) 2017, the EO stipulated that the total incremental cost of all new regulations, as well as repealed regulations, was to be no greater than zero. Since FY 2017, the OMB established an incremental cost allowance<sup>1</sup> for each affected federal agency. The OMB set the EPA's cost allowance at \$40 million annualized cost savings for FY 2018 and \$50 million in annualized cost savings for FY 2019.<sup>2</sup> These amounts represent regulatory savings goals for the EPA.

#### **EO 13777**

On February 24, 2017, the President issued EO 13777, *Enforcing the Regulatory Reform Agenda*, which complements EO 13771. EO 13777 states that it was designed "to alleviate unnecessary regulatory burdens placed on the American people." It requires that each federal agency establish a Regulatory Reform Task Force and a Regulatory Reform Officer to assist with the implementation of

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<sup>1</sup> Each agency's allowance is the total amount of incremental costs that will be allowed when issuing new regulations and repealing regulations in a fiscal year.

<sup>2</sup> Cost allowances are often presented in one of two ways: as annualized values or present values. These standard economic concepts represent different formats of the same information. Present value is akin to the full value of a loan, while annualized value is akin to the equal periodic payments occurring once per year. While EO 13771 cost allowances were expressed as annualized values in FY 2018, the OMB is expressing them as present values starting in FY 2019. For consistency within this report, we have converted the OMB's FY 2019 present value cost allowance of \$817.8 million for the EPA to its equivalent annualized cost value (\$50 million). All regulatory costs and costs savings in this report are represented as annualized values.

EO 13771. Under EO 13777, the task force is also required to identify existing regulations that are outdated, are no longer necessary, eliminate jobs, or interfere with regulatory reform initiatives and policies. The identified regulations are to be considered for repeal, replacement or modification consistent with applicable law.

### ***Guidance for Implementing EOs 13771 and 13777***

The EPA did not develop internal guidance or management controls to implement EO 13771. Other than a March 2017 Administrator’s memorandum establishing the Regulatory Reform Task Force as required by EO 13777,<sup>3</sup> the EPA currently relies on the following two guidance documents from the OMB to implement the EOs:<sup>4</sup>

- Memorandum M-17-21, *Guidance Implementing Executive Order 13771, titled “Reducing Regulation and Controlling Regulatory Costs,”* April 5, 2017. This guidance provides specific instructions for promulgating as well as offsetting costs for new regulations. It requires that agencies include incremental costs for all deregulatory and regulatory actions that fall under EO 13771. The guidance further states that “agencies must continue to assess and consider both the benefits and costs of regulatory actions, including deregulatory actions, when making regulatory decisions, and issue regulations only upon a reasoned determination that benefits justify costs.”
- Memorandum M-17-23, *Guidance on Regulatory Reform Accountability under Executive Order 13777, titled “Enforcing the Regulatory Reform Agenda,”* April 28, 2017. This guidance stipulates that performance indicators measuring progress toward the following two goals must be incorporated into agency annual performance plans<sup>5</sup> starting in FY 2019: (1) “improving implementation of regulatory reform initiatives and policies pursuant to section 2 of EO 13777” and (2) “identifying regulations for repeal, replacement or modification.” According to this guidance, these performance indicators should include the following:

1) Number of evaluations to identify potential EO 13771 deregulatory actions that included opportunity for public input and/or peer review;

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<sup>3</sup> The EPA’s acting Administrator issued a follow-up memorandum on August 17, 2018, refining the composition and mission of the Regulatory Reform Task Force.

<sup>4</sup> The OMB also issued interim guidance on February 2, 2017: *Interim Guidance Implementing Section 2 of the Executive Order of January 30, 2017, titled “Reducing Regulation and Controlling Regulatory Costs.”*

<sup>5</sup> The EPA’s annual performance report presents detailed performance results, as measured against the targets established in the EPA’s annual plan and budget.

- 2) Number of EO 13771 deregulatory actions recommended by the Regulatory Reform Task Force to the agency head, consistent with applicable law;
- 3) Number of EO 13771 deregulatory actions issued that address recommendations by the Regulatory Reform Task Force;
- 4) Number of EO 13771 regulatory actions and, separately, EO 13771 deregulatory actions issued; and
- 5) Total incremental cost of all EO 13771 regulatory actions and EO 13771 deregulatory actions (including costs or cost savings carried over from previous fiscal years).

### ***EPA Roles and Responsibilities***

#### **Regulatory Reform Officer and Regulatory Reform Task Force**

Each agency head is responsible for appointing a Regulatory Reform Officer and Regulatory Reform Task Force members under EO 13777. The EPA Administrator released a memorandum on March 24, 2017, designating the agency's Regulatory Reform Officer and Regulatory Reform Task Force members.<sup>6</sup>

According to EO 13777, the Regulatory Reform Officer for each agency oversees the "implementation of regulatory reform initiatives and policies to ensure that agencies effectively carry out regulatory reforms, consistent with applicable law." EO 13777 also states that each agency's Regulatory Reform Task Force will evaluate existing regulations and make recommendations to the agency head regarding their repeal, replacement or modification. Per the order, the task force will look for regulations that inhibit job creation or eliminate jobs; are outdated, unnecessary or ineffective; and impose costs that exceed benefits, among other issues.

The EO also required that, within 90 days of the EO's issuance, each task force provide a report to its agency head detailing the agency's progress toward identifying regulations for repeal, replacement or modification.

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<sup>6</sup> EPA Memorandum, *Executive Order 13777: Enforcing the Regulatory Reform Agenda*, March 24, 2017. In this memorandum, the Administrator designated the Associate Administrator for Policy to be the Regulatory Reform Officer; the Chief of Staff to be the Chairperson of the task force; and the Deputy Chief of Staff for Policy and Deputy Associate Administrator for Policy to be task force members.



## Office of Policy

Within the Office of the Administrator, the EPA's Office of Policy—specifically, the Office of Regulatory Policy and Management—is responsible for implementing, measuring and tracking items under EO 13771. The office solicits input from all EPA program offices on regulations to be added to the EPA's Semiannual Regulatory Agenda.<sup>7</sup> Once the program offices submit their desired regulatory actions for inclusion in the Regulatory Agenda, the Office of Policy uses OMB guidance (outlined in the “Background” section) to determine the regulatory actions that fall under EO 13771.

Within the Office of Policy, the National Center for Environmental Economics (NCEE), in coordination with program offices, is responsible for putting all costs associated with EO 13771 into a consistent framework.

## EPA Program Offices

EPA program offices are responsible for submitting their regulatory priorities to the Office of Policy. In addition, in the memorandum issued March 24, 2017, the EPA Administrator instructs program offices to solicit feedback from external stakeholders and provide this information to the Regulatory Reform Task Force. The memorandum also states that the following offices “should provide the Task Force with recommendations regarding specific rules that should be considered for repeal, replacement or modification” by May 15, 2017: the offices of Air and Radiation, Land and Emergency Management, Chemical Safety and Pollution Prevention, Water, Environmental Information, Congressional and Intergovernmental Relations, and Small and Disadvantaged Business Utilization.

## Office of the Chief Financial Officer

The Office of the Chief Financial Officer (OCFO) is responsible for developing the agency's annual performance plan. The OCFO aids the Office of Policy in clarifying the reporting requirements under EO 13771. The OCFO also coordinates with the Office of Policy to obtain reporting data for the metrics that are included in the EPA's annual performance plan. The OCFO stated that it is responsible for collecting data on the performance measures that are outlined in OMB Memorandum M-17-23.

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<sup>7</sup> Per the EPA's [website](#), “[m]any federal agencies publish Regulatory Plans and Regulatory Agendas in accordance with Executive Order 12866 (58 FR 51735). EPA's Regulatory Plan describes the most important regulations that we [the agency] reasonably expect to issue in proposed or final form during the upcoming fiscal year. These are the regulatory actions that embody the core of our regulatory priorities. EPA's Semiannual Regulatory Agenda describes a broader universe of regulatory activities under development or review; the Plan is a subset of the Agenda.”

## **Noteworthy Achievement**

The NCEE created a cost-accounting spreadsheet that standardized cost accounting to comply with EO 13771. When EO 13771 was signed, there was some uncertainty among the EPA's program offices about how to perform cost accounting for proposed regulatory and deregulatory actions. In addition, the OMB had yet to develop its guidance to federal agencies on how to implement EO 13771. Consequently, the NCEE held discussions with OMB staff several times in FY 2017 to assure that the NCEE's estimates complied with the OMB accounting standards. In response to the issues that were emerging, the NCEE created its own worksheet to operationalize EO 13771 and address the accounting uncertainties.

Later, when the OMB provided additional clarity on the analytical framework to use when calculating regulatory costs and cost savings, the NCEE had several discussions with the OMB to verify that the NCEE's internally developed spreadsheet followed OMB guidance. The spreadsheet was updated to collect data for EO 13771 entries into the OMB's database. The database information is automatically populated from information entered into the cost calculation sheet, a feature added to help the EPA staff responsible for transmitting information to the OMB. Other subsequent updates to the NCEE's spreadsheet include highlighting the correct annualized costs of the cost savings estimates that EPA program offices should use when reporting their results.

## **Responsible Office**

The EPA office responsible for the issues discussed in this report is the Office of the Administrator.

## **Scope and Methodology**

We conducted this work from May 2018 through May 2019. We conducted this audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

The scope of this audit focused on the EPA's management controls for implementing EO 13771. We limited the scope of our audit to the management controls in place and did not evaluate human health and environmental impacts or trends. To obtain an understanding of how the EPA implements EO 13771, we reviewed related EOs, guidance documents, policies and procedures.

During our audit, we communicated with EPA staff from the following offices and entities:

- *Office of Regulatory Policy and Management* to understand how EO 13771 is implemented, how it impacts the EPA's Semiannual Regulatory Agenda, and how the agency identifies actions for deregulation and regulation.
- *NCEE* regarding cost calculations for actions taken under EO 13771.
- *EPA Regulatory Reform Task Force* to understand how the members' roles impact the EPA's implementation of EO 13771.
- *Major rulemaking offices*—including the offices of Air and Radiation, Chemical Safety and Pollution Prevention, Land and Emergency Management, and Water—to gain an understanding of how regulatory and deregulatory actions under EO 13771 are identified and implemented.
- *OCFO* regarding reporting requirements under EO 13771.

In addition, we contacted several external stakeholders with knowledge about EO 13771. Specifically, we surveyed representatives from the U.S. Department of Health and Human Services and the U.S. Department of Agriculture. We selected these agencies because (1) the Department of Health and Human Services was the only agency other than the EPA to have at least one regulatory and deregulatory action in FY 2017 and (2) the Department of Agriculture did not issue the 90-day progress report by the May 2017 deadline required by EO 13777. We contacted the U.S. Department of the Interior because it undertook 12 deregulatory actions in FY 2017, which is similar to the number of deregulatory actions taken by the EPA that same year (16). We also interviewed Earthjustice and Columbia Law School's Sabin Center for Climate Change Law; we selected these nongovernmental organizations based on their work with stakeholders that were impacted by EO 13771.

# Chapter 2

## EPA Exceeded Deregulatory and Cost Savings Goals

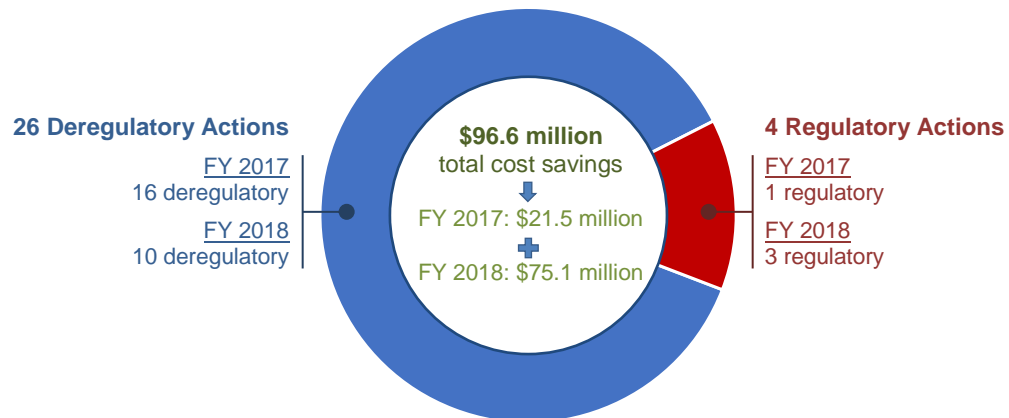
In FYs 2017 and 2018, the EPA exceeded its deregulatory and cost savings goals. Although EO 13771 is commonly referred to by media outlets as the “two-for-one” EO, the order does not require that the EPA issue a new regulation before identifying or taking deregulatory actions. Consequently, in FYs 2017 and 2018, the EPA’s deregulatory-to-regulatory actions surpassed the “two-for-one” ratio. The EPA did not develop internal guidance or management controls to implement EO 13771. Other than an Administrator’s memorandum establishing a Regulatory Reform Task Force, the EPA relied solely on OMB guidance to implement the EO. We found that both the transparency of the agency’s EO decision-making and its outreach for deregulatory recommendations could be enhanced and clarified in the Administrator’s direction to the task force.

### EPA Exceeded Its Deregulatory Goals

In FYs 2017 and 2018, the EPA exceeded both the numbers of required deregulatory actions and the regulatory savings goals mandated by EO 13771 and the OMB. In FY 2017, the EPA had the highest number of deregulatory actions of any federal agency.

Per EO 13771, in FY 2017, the total incremental cost of all new regulations, as well as repealed regulations, was to be no greater than zero. As Figure 1 shows, in FY 2017, the EPA has an annualized cost savings of \$21.5 million that was achieved via 16 deregulatory actions and one regulatory action. The EPA’s FY 2018 incremental cost allowance was \$40 million in annualized cost savings. As Figure 1 also illustrates, in FY 2018, the EPA completed 10 deregulatory and three regulatory actions, with an annualized cost savings of \$75.1 million.

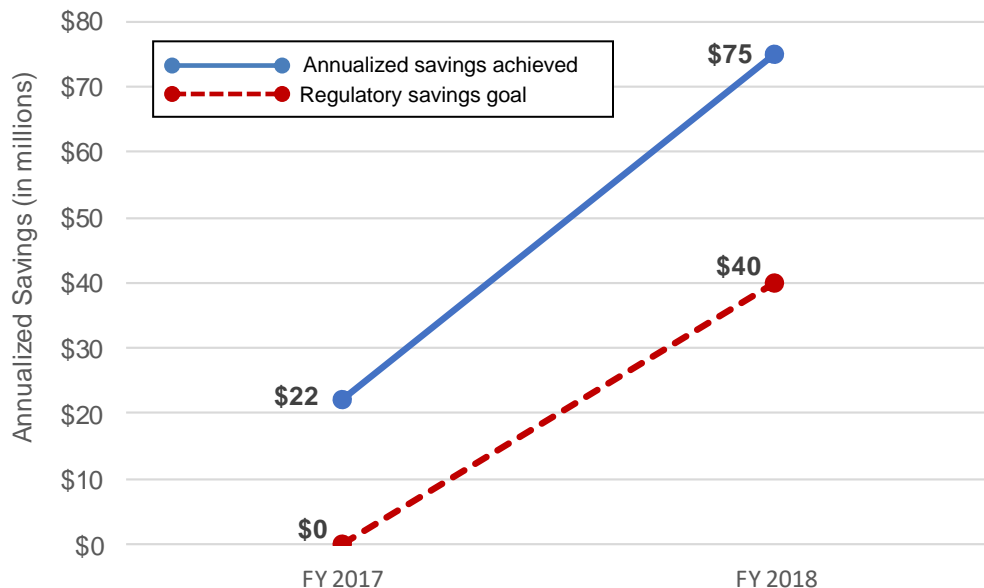
**Figure 1: EPA actions in FYs 2017 and 2018 under EO 13771**



Source: OIG analysis of EPA data.

As a result of the EPA’s deregulatory and regulatory actions under EO 13771, the agency has exceeded its regulatory savings goals (Figure 2).

**Figure 2: EPA’s EO 13771 annualized regulatory savings goals and achievements**



Source: OIG analysis of EPA data.

The EPA’s regulatory actions for FYs 2017 and 2018 under EO 13771 are presented in Tables 1 and 2. The tables show the actions taken across the breadth of EPA program offices, including Air and Radiation, Land and Emergency Management, Chemical Safety and Pollution Prevention, and Water. Costs and savings are quantified where feasible, but not all deregulatory actions have quantified cost savings.

**Table 1: FY 2017 EO 13771 regulatory and deregulatory actions and costs**

EPA program office	FY 2017 action	Annualized costs (savings) <sup>a</sup> in millions
<b>Regulatory</b>		
Water	Effluent Guidelines and Standards for the Dental Point Source Category	\$54.30
<b>Deregulatory</b>		
Land and Emergency Management	Accidental Release Prevention Requirements: Risk Management Programs Under the Clean Air Act; Further Delay of Effective Date	Not quantified
	Amendment to Standards and Practices for All Appropriate Inquiries Under the Comprehensive Environmental Response, Compensation, and Liability Act	Not quantified
Water	Clean Water Act Methods Update Rule for the Analysis of Effluent	Not quantified
	Postponement of Certain Compliance Dates for Effluent Limitations Guidelines and Standards for the Steam Electric Power Generating Point Source Category	(\$64.52)

EPA program office	FY 2017 action	Annualized costs (savings) <sup>a</sup> in millions
Chemical Safety and Pollution Prevention	Certification of Pesticide Applicators; Delay of Effective Date	Not quantified
	Extension of Compliance Date of Toxic Substances Control Act Reporting of Chemical Substances When Manufactured or Processed as Nanoscale Materials	Not quantified
	Extension of Compliance Date for Toxic Substances Control Act Reporting of Chemical Substances at Farms	Not quantified
	Compliance Date Extension: Formaldehyde Emission Standards for Composite Wood Products	Not quantified
Air and Radiation	Mercury and Air Toxic Standards Electronic Reporting Requirements	Not quantified
	Oil and Natural Gas Sector: Emission Standards for New, Reconstructed, and Modified Sources; Grants of Reconsideration and Partial Stay	(\$1.33)
	Phosphoric Acid Manufacturing and Phosphate Fertilizer Production Risk and Technology Review Reconsideration	(\$0.24)
	Relaxation of the Reid Vapor Pressure Gasoline Standard in Five Counties of Middle Tennessee	(\$7.10)
	Revisions to Procedure 2-Quality Assurance Requirements for Particulate Matter Continuous Emission Monitoring Systems at Stationary Sources	Not quantified
	Stay of Standards of Performance for Municipal Solid Waste Landfills and Emission Guidelines and Compliance Times for Municipal Solid Waste Landfills	Not quantified
	Technical Amendments to Performance Specification 18 and Procedure 6	Not quantified
	Withdrawal of the 2016 Information Collection Request for the Oil and Gas Industry	(\$2.59)

Source: The EPA.

<sup>a</sup> Negative values are depicted in red and represent cost savings.

**Table 2: FY 2018 EO 13771 regulatory and deregulatory actions and costs**

EPA program office	FY 2018 action	Annualized costs (savings) <sup>a</sup> in millions
<b>Regulatory</b>		
Chemical Safety and Pollution Prevention	Mercury; Reporting Requirements for the Toxic Substances Control Act Mercury Inventory	\$1.45
Water	Public Notice Requirements for Combined Sewer Overflow Discharges to the Great Lakes	\$0.34
Air and Radiation	Renewable Fuel Volume Standards for 2018 and Biomass-Based Diesel Volume for 2019	\$10.12
<b>Deregulatory</b>		
Land and Emergency Management	Hazardous and Solid Waste Management System: Disposal of Coal Combustion Residues from Electric Utilities; Amendments to the National Minimum Criteria (Phase 1)	(\$25.90)

EPA program office	FY 2018 action	Annualized costs (savings) <sup>a</sup> <i>in millions</i>
	Guidance of Comprehensive Environmental Response, Compensation, and Liability Act/Emergency Planning and Community Right-to-Know Act Reporting Requirements for Air Releases of Hazardous Waste Substances at Farms	Not quantified
	Hazardous Waste Management Systems; User Fees for the Electronic Hazardous Waste Manifest System and Amendments to Manifest Regulations	(\$56.86)
	Internet Posting of and Confidentiality Determinations for Hazardous Waste Export and Import Documents	Not quantified
	Non-Hazardous Secondary Materials-Additions to List of Categorical Non-Waste Fuels; Other Treated Railroad Ties	(\$0.55)
	Hazardous Waste Management System: Identification and Listing of Hazardous Waste	Not quantified
Air and Radiation	National Emission Standards for Hazardous Air Pollutants for Off-Site Waste and Recovery Operations Reconsideration	(\$3.65)
	Oil and Natural Gas Sector: Emission Standards for New Reconstructed, and Modified Sources: Stay of Certain Requirements	(\$0.03)
	Relaxation of the Federal Reid Vapor Pressure Gasoline Volatility Standard for Several Parishes in Louisiana	Not quantified
	Relaxation of the Reid Vapor Pressure Gasoline Standard for Shelby County (Memphis) Tennessee	Not quantified

Source: The EPA.

<sup>a</sup> Negative values are depicted in red and represent cost savings.

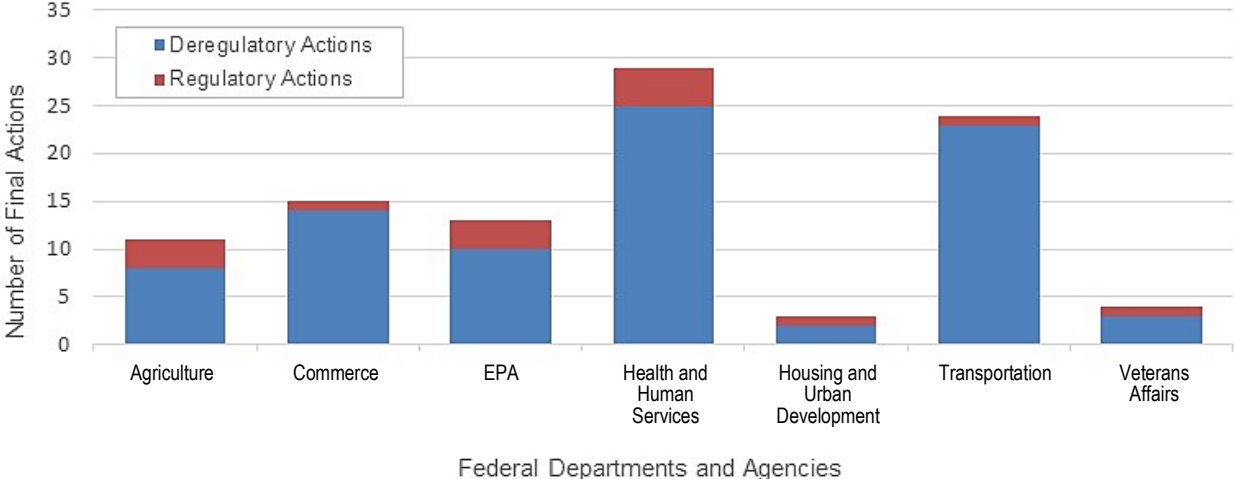
## Deregulatory Actions Exceeded “Two-for-One” EO Requirement

Critiques and analyses of EO 13771 by media outlets commonly refer to it as the “two-for-one” EO or the EO with the “two-for-one requirement.” The term “two-for-one” simplifies the mandate of the EO. Specifically, the EO requires that “for every one new regulation issued, at least two prior regulations be identified for elimination.” In addition, the EO requires that “any new incremental costs associated with new regulations shall ... be offset by the elimination of existing costs associated with at least two prior regulations.” An agency is in compliance with the EO if, by the end of the fiscal year, its total deregulatory actions number at least two times the total of its regulatory actions and its cost savings goals are met.

At the EPA, the ratio of deregulatory-to-regulatory actions has routinely been greater than the required “two-for-one” ratio. The EPA’s success in exceeding the “two-for-one” ratio is not unique. As illustrated in Figure 3, for example, several

federal agencies exceeded two deregulatory actions for each regulatory action in FY 2018.

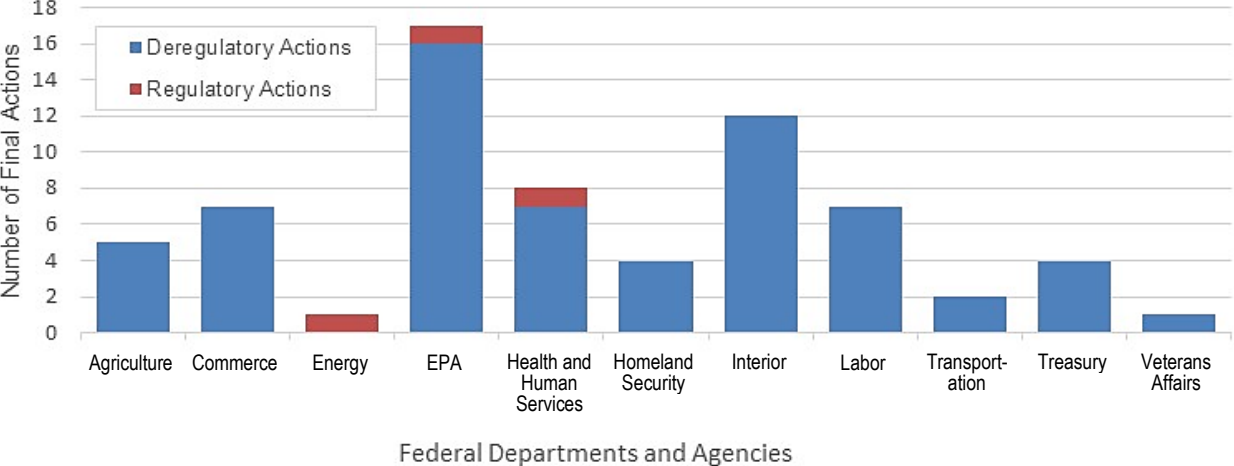
**Figure 3: FY 2018 deregulatory and regulatory actions for selected agencies**



Source: OIG analysis of OMB data.

Moreover, according to the OMB, multiple federal agencies reported undertaking numerous deregulatory actions under EO 13771 in FY 2017 but no regulatory actions that same year (Figure 4).

**Figure 4: FY 2017 final actions for selected agencies**



Source: OIG analysis of OMB data.



## EPA's FY 2019 Annual Performance Plan Reports Only Two of the Five Original OMB Performance Indicators

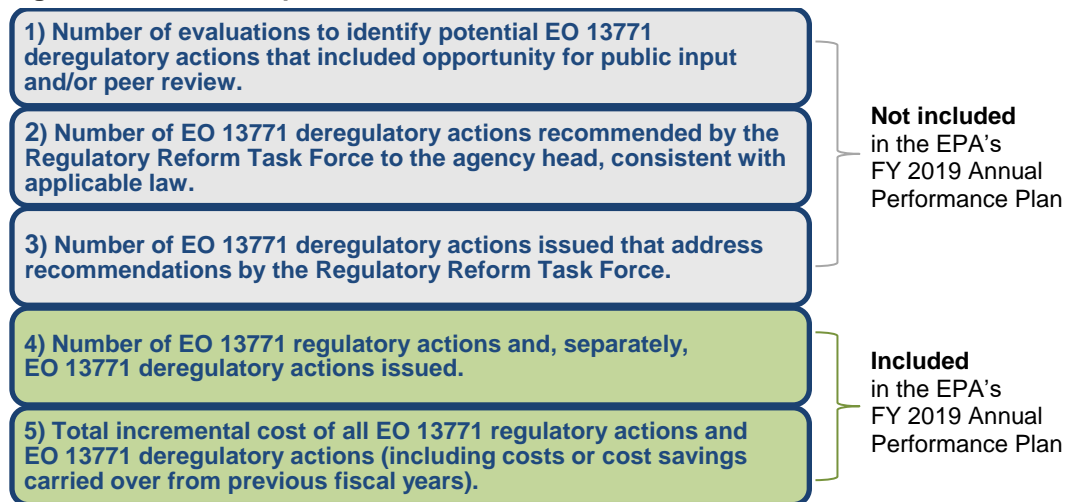
Per EO 13777, OMB Memorandum M-17-23 provides guidance to federal agencies on five performance indicators that they must include in their annual performance planning beginning in FY 2019. These indicators (outlined in the “Background” section of this document and in Figure 5 below) are designed to measure progress toward improving implementation of regulatory reform initiatives and identifying regulations for repeal, replacement or modification.

However, in the EPA's FY 2019 Annual Performance Plan, we found only two of the five required OMB performance indicators were included, as shown in Figure 5:<sup>8</sup>

- The number of EO 13771 regulatory and deregulatory actions issued (Indicator 4).
- The total incremental cost of all regulatory and deregulatory actions (Indicator 5).

In addition, only the FY 2018 measure for the “total incremental cost” indicator was assigned a specific goal (\$40 million); no goals were specified for the number of regulatory and deregulatory actions.

**Figure 5: EPA's OMB performance indicators**



Source: OIG analysis.

EPA officials explained that the EPA has negotiated a subset of measures to be reported to the OMB. The number of EO 13771 actions is contingent on the

<sup>8</sup> EPA, *Fiscal Year 2019 Justification of Appropriation Estimates for the Committee on Appropriations FY 2019 Performance Measures*, [EPA-190-R-18-001](#), February 2018.

involvement of multiple stakeholders. As described by the EPA,<sup>9</sup> there are ongoing conversations about the EO 13771 status of an action within the agency (e.g., between the Office of Policy and a program office) and with the OMB throughout the development of the action. The EO 13771 status is included as part of the information provided by the program office during the development of the Semiannual Regulatory Agenda; that information is then reviewed by the Office of Policy and the OMB. There are frequent exchanges of information about the EO 13771 status of actions between and among the Office of Policy, program offices and the OMB throughout this entire process.

## **EPA Can Strengthen Its Implementation of EO 13771 Through Greater Transparency and Seeking Feedback from External Stakeholders**

In August 2018, the EPA's acting Administrator sent a memorandum to the Assistant Administrators that detailed a plan for strengthening the Regulatory Reform Task Force.<sup>10</sup> The memorandum stated that the Regulatory Reform Task Force would be strengthened through (1) increased membership,<sup>11</sup> (2) additional support,<sup>12</sup> and (3) the development of internal processes.<sup>13</sup> Transparency in decision-making and stakeholder outreach were both addressed in the memorandum but could be strengthened.

EPA actions under EO 13771 can be difficult for the public to monitor. The EPA maintains a public [webpage](#) that details deregulatory action accomplishments under EO 13771. However, this webpage does not contain any information on the EPA regulatory actions in progress or completed under EO 13771. Instead, it provides a link to the OMB's Office of Information and Regulatory Affairs website, called [reginfo.gov](#). For stakeholders to find information on EPA regulatory actions that are in progress or completed, they must exit the EPA's website and search [reginfo.gov](#), which contains data on all federal agencies. Moreover, the information on websites external to the EPA may not show the most recent information. For example, we found that the [reginfo.gov](#) website detailed two regulatory actions in FY 2018 that were not included in the EPA's final listing of regulatory actions for that fiscal year. When asked about the difference, EPA staff stated that the information contained on [reginfo.gov](#) was

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<sup>9</sup> The OMB did not respond to OIG emails requesting information on EO guidance documents and conversations with the EPA.

<sup>10</sup> EPA Memorandum, *Regulatory Reform Task Force*, August 17, 2018.

<sup>11</sup> The memorandum directs that the Associate Deputy Administrator will serve as the task force Chairman; the Associate Administrator for Policy will continue to serve as the EPA's Regulatory Reform Officer; and "the following senior managers will serve on the task force: the Chief of Staff, the General Counsel and Assistant Administrators for the Offices of Enforcement and Compliance Assurance, Air and Radiation, Chemical Safety and Pollution Prevention, Land and Emergency Management and Water."

<sup>12</sup> Per the memorandum, in addition to Office of Policy staff from the Office of Regulatory Policy and Management, the Smart Sectors program will provide support to the task force.

<sup>13</sup> According to the memorandum, "The task force will meet regularly to consider specific recommendations for regulatory reform and make decisions about whether to undertake particular reforms, which will be communicated to the appropriate program office for further consideration and development."

6 months old and that the EPA's actions have changed since then. These differences could confuse stakeholders trying to monitor and track the impacts of the EPA's actions under EO 13771.

We also found that information on the disposition and status of EO 13771 recommendations and actions was not known by some EPA staff we interviewed. For example, some program office staff involved in the nomination of actions to the Office of Policy did not routinely receive feedback on their recommendations. EO 13777 tasked each Regulatory Reform Task Force to provide an EO 13771 progress report to the task force's agency head within 90 days of the date of the order and stipulated that the agency head would determine the schedule of any future reports. However, the EPA's 90-day progress report was not made publicly available and was only shared among the agency's political leadership. In addition, a schedule for future reports was not established. According to the Office of Policy, the Administrator declined to require future progress reports, deciding to manage EO 13771 processes as part of the Semiannual Regulatory Agenda. Although not required by EO 13771, we found instances where other federal agencies released their progress reports via their websites.

The Administrator's March 24, 2017, memorandum instructed the program offices to solicit feedback from external stakeholders and provide this feedback to the Regulatory Reform Task Force. Program offices were not explicitly instructed to continue this activity in subsequent years, although the acting Administrator's August 17, 2018, memorandum does cite continuing outreach, through the Office of Policy's Smart Sector program, which fosters collaboration with regulated industries. Consequently, the EPA has not specified whether stakeholder feedback meetings should be repeated. During our interviews with program office staff, we found that staff wanted to continue obtaining feedback from external stakeholders but had not been requested to do so.

Moreover, the acting Administrator's August 17, 2018, memorandum only states that the task force will meet regularly to consider specific recommendations for regulatory reform. There is no established schedule that determines how frequently the task force should meet to consider feedback and recommendations regarding regulatory and deregulatory actions.

## **Conclusion**

The EPA's implementation of EO 13771 achieved over \$96 million in annualized regulatory cost savings from deregulatory actions in FYs 2017 and 2018. Although the EPA has exceeded the "two-for-one requirement" and the regulatory savings goals of EO 13771, the agency's implementation of EO 13771 can be strengthened. The EPA could do more to increase transparency of the regulatory actions it is taking, provide feedback to its program offices, and clarify expectations for stakeholder outreach.

## Recommendations

We recommend that the Deputy Administrator:

1. Amend guidance for the Regulatory Reform Task Force to specify:
  - a. The frequency of meetings.
  - b. The public dissemination of progress reports and regulatory and deregulatory recommendations.
  - c. The frequency and means of stakeholder outreach.
2. Establish or identify an accessible portal that can provide up-to-date information on both the EPA's deregulatory and regulatory actions taken under Executive Order 13771.

## Agency Response and OIG Evaluation

The agency concurred with the intent of Recommendation 1a and partly concurred with Recommendation 1b. The EPA said that the Regulatory Reform Task Force will meet twice per year as part of the agency's Semiannual Regulatory Agenda process, and the EPA agreed to post the progress report prepared in FY 2017 in response to EO 13771. However, the agency did not provide corrective actions that would update the task force guidance.

The agency disagreed with Recommendation 1c. The EPA said that it has no plans to replicate the EO 13771-specific stakeholder outreach conducted by the EPA program offices in 2017. Rather, the agency plans to continue gathering information related to EO 13771 via the EPA's regular outreach mechanisms. However, there is no guidance specifying that the agency will no longer conduct EO 13771-specific outreach.

The agency also disagreed with Recommendation 2. The EPA said that it already provides information about EO 13771 regulatory and deregulatory actions through the Semiannual Regulatory Agenda. However, the Semiannual Regulatory Agenda encompasses the entire federal government and is only updated twice per year. To provide the public with up-to-date information on all the actions taken by the EPA under the EO, we believe Recommendation 2 is necessary to enhance transparency.

During our exit conference with the agency, we discussed the need for corrective actions to meet the intent of all recommendations, as well as for planned completion dates. All recommendations remain unresolved. Appendix A contains the agency's full response to our draft report.

# **Status of Recommendations and Potential Monetary Benefits**

## RECOMMENDATIONS

Rec. No.	Page No.	Subject	Status <sup>1</sup>	Action Official	Planned Completion Date	Potential Monetary Benefits (in \$000s)
1	15	Amend guidance for the Regulatory Reform Task Force to specify:		Deputy Administrator		
		a. The frequency of meetings.	U			
		b. The public dissemination of progress reports and regulatory and deregulatory recommendations.	U			
		c. The frequency and means of stakeholder outreach.	U			
2	15	Establish or identify an accessible portal that can provide up-to-date information on both the EPA's deregulatory and regulatory actions taken under Executive Order 13771.	U	Deputy Administrator		

<sup>1</sup> C = Corrective action completed.  
R = Recommendation resolved with corrective action pending.  
U = Recommendation unresolved with resolution efforts in progress.

## Agency Response to Draft Report




UNITED STATES ENVIRONMENTAL PROTECTION AGENCY  
WASHINGTON, D.C. 20460

June 17, 2019

OFFICE OF THE  
ADMINISTRATOR

### MEMORANDUM

**SUBJECT:** Office of Inspector General Draft Report for Project No. OA&E-FY18-0177: EPA Exceeded the Deregulatory Goals of Executive Order 13771

**FROM:** Henry Darwin   
Acting Deputy Administrator

**TO:** Charles J. Sheehan  
Acting Inspector General

Thank you for the opportunity to respond to the issues and recommendations presented in the Office of Inspector General Draft Report, Project No. OA&E-FY18-0177 pertaining to the agency's implementation of Executive Order 13771.

The agency is pleased with the OIG conclusion that EPA is in compliance with Executive Order 13771. We also appreciate that the OIG recognized EPA's noteworthy achievement of developing a cost-accounting tool to help with implementation of the Executive Order. As shown by the publicly available end of year accounting for Fiscal Years 2017 and 2018, the EPA has successfully and fully implemented the requirements of the Executive Order.

While the agency agrees with the broad conclusions and findings of the report, we disagree with three of the specific recommendations. These recommendations are duplicative of efforts the agency is already undertaking and are not needed in order to continue to successfully implement the Executive Order. The EPA has led the federal government in taking steps to enhance transparency surrounding the implementation of EO 13771 and EO 13777. For example, in the spring of 2017, we invited more than 200,000 stakeholders to a series of more than 10 outreach sessions. We also opened a public comment docket to solicit input on EPA regulations, which received more than 450,000 comments. The EPA's regulatory reform website includes information about the Executive Orders guiding this effort and makes publicly available

directives from the EPA Administrator regarding implementation. The EPA has met or exceeded the requirements of EO 13771 and EO 13777 and has done so in a transparent manner.

Our responses to the recommendations in the draft report are included below.

Recommendation 1.a.: Amend guidance for the Regulatory Reform Task Force to specify the frequency of meetings.

- The agency concurs with the intent of this recommendation. The Executive Order does not require a formal, set meeting schedule. As part of managing the agency, however, the members of the Regulatory Reform Task Force regularly meet and consult with each other individually, in small groups, and sometimes as a larger group about regulatory actions. This happens frequently and organically, and as shown by our successful implementation of the Executive Order in FY17 and FY18. Nevertheless, in response to this recommendation, the Regulatory Reform Task Force will begin meeting at least twice per year as part of the development of the agency's Semiannual Regulatory Agenda.

OIG Response: The OIG found the provided corrective actions unresponsive because the agency did not include within its response provisions for officially updating the task force guidance. The agency also did not provide a planned completion date for implementing the biannual meeting of the Regulatory Reform Task Force. This recommendation is unresolved without corrective actions to update the guidance and planned completion dates.

Recommendation 1.b.: Amend guidance for the Regulatory Reform Task Force to specify the public dissemination of progress reports and regulatory and deregulatory recommendations.

- The agency concurs with part of this recommendation. Although there is not any requirement that the initial progress report prepared pursuant to Executive Order 13777 be made publicly available, in the interest of transparency and in response to this recommendation, the EPA will post the report on our regulatory reform website. No additional progress reports have been prepared or are under development. The EPA does not concur with the rest of this recommendation. Consistent with implementation of the Executive Order by other federal agencies, the EPA continues to implement the EO through the development of the Semiannual Regulatory Agenda. The Semiannual Regulatory Agenda is updated twice per year, is publicly available, and already contains information on the EO 13771 designations (i.e., recommendations) and projected timelines of each planned regulatory and deregulatory action in the Agenda.

OIG Response: The agency stated that it has no plans to produce any additional Regulatory Reform Task Force progress reports or to share regulatory and deregulatory recommendations by any means other than the Semiannual Regulatory Agenda. This recommendation is unresolved as the agency did not include any plans to update task force guidance regarding the public dissemination of reports or regulatory recommendations, nor did the EPA provide any planned completion dates for the corrective actions.

Recommendation 1.c.: Amend guidance for the Regulatory Reform Task Force to specify the frequency and means of stakeholder outreach.

- The agency does not concur with this recommendation. EO 13777 directed agencies to seek input from entities affected by Federal regulations. In response to that, in 2017 the EPA opened a regulatory reform docket and held over 10 separate stakeholder outreach events. Since that time, staff and senior leadership from all the major EPA media offices and the Office of the Administrator have continued to meet with and receive input from external stakeholders. For example, the Smart Sectors program has organized two roundtables with the EPA Administrator had held more than 400 outreach meetings with external stakeholders. The agency has a long history of robust stakeholder engagement through individually requested meetings, recurring meetings, comments on regulatory actions, conference attendance, etc. Stakeholders often provide suggestions for regulatory reform in these contexts. Additional guidance regarding stakeholder outreach would be duplicative to these ongoing practices.

OIG Response: We understand that the agency has no plans to replicate the EO 13771-specific stakeholder outreach conducted by the EPA program offices in 2017. However, to meet the intent of the recommendation, task force guidance needs to be updated to reflect the EPA's position. In addition, planned completion dates for corrective actions must also be provided. This recommendation is unresolved.

Recommendation 2: Establish or identify an accessible portal that can provide up-to-date information on the EPA's deregulatory and regulatory actions taken under Executive Order 13771.

- The agency does not concur with this recommendation. The Semiannual Regulatory Agenda serves as an accessible portal that provides the public with information on regulatory and deregulatory actions. The EPA, along with many other federal agencies, already provides information about EO 13771 regulatory and deregulatory actions through the Semiannual Regulatory Agenda. The Agenda is updated twice per year and is a widely used, publicly available, searchable, official statement from the EPA about upcoming planned regulatory and deregulatory activity. Though not required by the Executive Order, the EPA also proactively established a website specifically dedicated to providing information on pending and completed deregulatory actions. This enhances transparency, as, in contrast to regulatory actions, not all deregulatory actions would appear in the Semiannual Regulatory Agenda (for example, Information Collection Requests that may be revised or rescinded).



OIG Response: Although not required by EO 13771, the EPA established a webpage outlining pending and completed deregulatory actions to make EPA deregulatory actions easier to navigate and to help the public understand the deregulatory actions taken under EO 13771. The EPA updates this webpage regularly as deregulatory actions move from the pending to the completed list. To provide full transparency of EO 13771 actions, we are recommending that regulatory actions be included on this webpage as well. Although the agency is correct in saying that regulatory actions can be found on the Semiannual Regulatory Agenda website, the agenda website is only updated twice per year (as we note within this report), and EPA information is not easily accessible, as the website includes actions taken by the entire federal government. In addition, during our meetings with the agency, we were told that the Semiannual Regulatory Agenda is not always up-to-date and/or accurate. To provide the public with up-to-date information on the actions taken under the EO, we continue to recommend that the agency provide information showing regulatory actions taken under EO 13771. The recommendation is unresolved.

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