

Boosting Business in the Desert

Three cheers for Arizona's smart permitting reforms

By James Broughel

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Recent permitting reforms in Arizona have focused on streamlining regulatory processes to improve the state's business climate. Developments include passage of the 2023 Permit Freedom Act, which established standardized criteria and timelines for local land use and public demonstration permit decisions, along with the implementation of digital platforms such as myDEQ for environmental permitting and the Business One Stop portal for centralized business services. Additional reform efforts by the Arizona Department of Environmental Quality include the adoption of Lean Management principles and moves to assume primacy over certain federal programs. These diverse initiatives collectively capture Arizona's comprehensive approach to regulatory reform, an all-of-the-above strategy aimed at reducing regulatory burdens across a myriad of domains.

The Permit Freedom Act of 2023

In 2023, Arizona took a significant step toward reforming its local permitting processes with the passage of House Bill 2019,¹ formally titled "licensing; permitting; criteria; clarity" but known informally as the Permit Freedom Act. The path to enacting this law was not without obstacles, however, as an earlier version, House Bill 2062, was vetoed by the previous governor, Doug Ducey (R), in 2018.²

Gov. Ducey's veto of HB 2062 was based on several concerns. In his veto letter,³ he stated that while he supported the bill's intent to protect Arizonans from arbitrary and unfair government action, he believed the legislation could have unintended consequences. Specifically, Ducey expressed a worry that the bill might inadvertently create barriers that make it harder for regulators and citizens to reach agreements with one another through informal mechanisms.

The legislation that eventually passed and was signed into law by Gov. Katie Hobbs (D) was narrower in scope, focused primarily on preempting certain permitting and licensing decisions made by municipalities and counties. The final legislation focused exclusively on permits issued in response to "free speech or assembly activity" and activities that change "the use, appearance or density of a structure or land," whereas HB 2062 had focused on permits for "any constitutionally protected activity."

The Goldwater Institute, a Phoenix-based think tank, had been at the forefront of advocating for permit reforms along these lines. The Goldwater Institute emphasizes three core elements believed to be essential for effective permitting reform, which include:⁴

- **Clear Criteria:** The need for unambiguous, objective standards for granting or denying permits.
- **Specified Timelines:** The importance of setting explicit deadlines for permit decisions to prevent indefinite delays.
- **Meaningful Judicial Review:** The necessity of allowing courts to review permit denials without undue deference to administrative decisions.



¹ Arizona HB 2019, 2023, Fifty-sixth Legislature, 1st Regular Session, <https://legiscan.com/AZ/bill/HB2019/2023>.

² Arizona HB 2062, 2018, Fifty-third Legislature, 2nd Regular Session, <https://legiscan.com/AZ/text/HB2062/id/1739006>.

³ Letter from Gov. Douglas A. Ducey to the Honorable Michele Reagan, "Re: House Bill 2062 (permits; licenses; denials' agency hearings)," May 16, 2018, <https://www.azleg.gov/govletter/56leg/2r/hb2062.pdf>.

⁴ Timothy Sandefur, "Permit Freedom," Goldwater Institute, p. 8, https://www.goldwaterinstitute.org/wp-content/uploads/cms_page_media/2017/2/14/Tim%20Rela%20paper%20FINAL%20.pdf.



These three elements formed the backbone of their advocacy and were instrumental in shaping the legislation that eventually passed. HB 2019 closely aligned with the three core elements emphasized by the Goldwater Institute:

- The law requires municipalities and counties to specify “in clear and unambiguous language” the criteria for granting or denying a license or permit for any free speech or assembly activity, or any activity that changes the use, appearance, or density of a structure or land.
- HB 2019 mandates that local governments approve or deny permit applications within 60 days after a submittal is deemed administratively complete. This timeline can be adjusted if another timeframe is specified by municipal ordinance or state or federal law. Importantly, if the government fails to act within the specified timeframe, the submittal is deemed approved automatically, unless it is incomplete and the applicant fails to complete it after proper notice.
- The law provides for meaningful judicial review of permit denials. In court proceedings involving a permit denial, judges are instructed to determine whether the approval criteria language is clear and unambiguous, without deference to previous determinations made by the municipality or county.

Arizona’s online permitting portal: myDEQ

The Arizona Department of Environmental Quality (ADEQ) has made several strides in modernizing its permitting processes through the development and continuous improvement of its online portal, myDEQ.⁵ Launched in January of 2016,⁶ myDEQ enables businesses to obtain, modify, terminate, and submit compliance reports for various environmental permits online, thereby reducing the time and paperwork associated with traditional permitting processes.

The portal was developed as part of ADEQ’s commitment to leveraging e-technology, one of the key strategies outlined in its FY2018 Strategic Plan.⁷ The myDEQ portal offers a range of services, covering multiple environmental media and regulatory programs. Users can access e-permitting features for air quality permits, drywell permits, recycled water permits, and fleet station permits, among others.⁸ The system also facilitates e-compliance reporting for numerous programs, including air quality compliance certifications, aquifer protection permit monitoring, hazardous waste generation reporting, and underground storage tank notifications. According to one estimate, the portal contributed to a 91 percent decline in permitting timeframes and \$150 million in annual economic benefits.⁹

The myDEQ portal continues to evolve based on user feedback and technological advancements. ADEQ regularly hosts “Voice of the Customer” meetings to gather input from users and identify areas for improvement.¹⁰ These meetings, along with user acceptance testing and training events, ensure that the portal remains responsive to the needs of its users.

Looking ahead, ADEQ’s strategic plans indicate there will likely be a continued focus on expanding and refining myDEQ’s capabilities,¹¹ including aims to further reduce permit processing times, increase the number of services available online, and improve the overall user experience. These efforts reflect ADEQ’s commitment to achieving what it terms “radical simplicity for customers and staff”¹² – a key component of its vision for the future of environmental regulation in Arizona.

⁵ Arizona Department of Environmental Quality, “Welcome to myDEQ,” accessed July 12, 2024, <https://azdeq.gov/mydeq>.

⁶ Arizona Department of Environmental Quality, “myDEQ Environmental Compliance Portal: Government at the Speed of Business,” 2018, <https://www.nascio.org/wp-content/uploads/2020/09/NASCIO-2018-Submission-DEQ.pdf#:~:text=Since%20launching%20in%20January%202016,involving%20in%20permitting%20and%20compliance>.

⁷ Arizona Department of Environmental Quality, “ADEQ Strategic Plan: FY18 Updated to FY14-FY18 Plan,” 2017, p. 7, https://static.azdeq.gov/pub/FY18_Strat_Plan_Update.pdf.

⁸ Arizona Department of Environmental Quality, “myDEQ Services,” accessed July 16, 2024, <https://azdeq.gov/mydeq-services>.

⁹ Thomas Hochman, “You never know what you can dredge up from LinkedIn;,” X, September 16, 2024, <https://x.com/ThomasHochman/status/1835789084393955816>; Misael Cabrera, PE, “Experience,” LinkedIn, accessed September 20, 2024, <https://www.linkedin.com/in/misael-cabrera-az/>.

¹⁰ Arizona Department of Environmental Quality, “Welcome to myDEQ”.

¹¹ For example, see Arizona Department of Environmental Quality, “ADEQ Strategic Plan: FY18 Updated to FY14-FY18 Plan,” p. 13.

¹² Department of Environmental Quality, “Fiscal Year 2023 Strategic Plan 2-pager Final,” 2022, https://static.azdeq.gov/about/fy23_stratplan.pdf.

Other notable reforms at ADEQ

In addition to the development of myDEQ, ADEQ's strategic plans in recent years highlight several other permitting reforms and initiatives aimed at streamlining processes. One reform mentioned is the implementation of the Lean Management System. This approach, adapted from private sector practices for use in the public sector,¹³ focuses on continuous improvement and waste reduction in organizational processes. The agency reports completing over 300 process improvement projects since beginning its Lean efforts in 2012,¹⁴ many of which likely affected permitting processes.

The agency's efforts to assume primacy over federal programs, such as the Underground Injection Control and Coal Combustion Residuals programs, are part of a five-year strategy, as mentioned in the agency's FY2023 and FY2024 plans.¹⁵ By bringing these programs more under state control, ADEQ can better tailor permitting processes to meet Arizona's specific needs. The FY2024 Strategic Plan also emphasizes enhancing community engagement in ADEQ's decision-making processes.¹⁶ This initiative aims to develop and publish a diverse community engagement plan and then to deploy the plan in the form of a pilot project.

Arizona's one-stop shop business portal

Outside of DEQ, other state agencies are also using digital tools to improve the business environment in Arizona. In a move to foster entrepreneurship, Arizona launched its Business One Stop portal in November of 2022.¹⁷ The initiative was spearheaded by former Gov. Ducey and the Arizona Department of Administration, and it represented the state's effort to simplify the process of starting and running a business.

The Business One stop portal is a central cyber location where firms can access necessary tools and information to plan, launch, and, ideally, grow their businesses in

Arizona. The online platform addresses the problems of having to navigate multiple state agencies, fill out duplicative paperwork, attend in-person meetings, and manage multiple accounts. By consolidating these processes into a single, user-friendly interface, Arizona removed some of the bureaucratic hurdles that often deter or delay business creation.

The development of this portal was a collaborative effort involving several state agencies. Led by the Department of Administration, the project brought together the Secretary of State, Arizona Corporation Commission, Department of Revenue, and the Arizona Commerce Authority. The groundwork for this initiative was initially laid by State Representative Jeff Weninger in the 2019 Legislative Session, demonstrating how both the legislative and executive branches in Arizona were supportive of this effort.¹⁸

The Business One Stop portal offers a range of features designed to simplify the business creation process, including guided planning checklists,¹⁹ enhanced customer support, and tools such as automated cost estimates for tax licensing documents.²⁰ These are features that should be especially useful to smaller businesses.

The system is secure and personalized, allowing users to create accounts tailored to their specific business needs. It is structured around three main phases of business development: Plan, Start, and Run. In the planning phase, entrepreneurs can create personalized to-do checklists. The start phase guides users through the steps to launch their business, while the run phase helps business owners stay updated on required filings and renewals.

Looking to the future, the state plans to expand the capabilities of the Business One Stop portal. Upcoming additions could include features for managing out-of-state and foreign businesses, as well as integration with additional business licenses, including at the city and county levels. These expansions will further enhance the portal's utility and reach.

¹³ Nina Bhatia and John Drew, "Applying lean production to the public sector," McKinsey on Operations, June 2006, <https://www.mckinsey.com/industries/public-sector/our-insights/applying-lean-production-to-the-public-sector>.

¹⁴ Arizona Department of Environmental Quality, "ADEQ Strategic Plan: FY18 Updated to FY14-FY18 Plan," p. 8.

¹⁵ Arizona Department of Environmental Quality, "Fiscal Year 2024 Strategic Plan 2-pager," July 14, 2023, https://static.azdeq.gov/about/fy24_stratplan.pdf; Arizona Department of Environmental Quality, "Fiscal Year 2023 Strategic Plan 2-pager," July 14, 2022, https://static.azdeq.gov/about/fy23_stratplan.pdf.

¹⁶ Arizona Department of Environmental Quality, "Fiscal Year 2024 Strategic Plan 2-pager."

¹⁷ "Arizona Business One Stop," AZ.gov, accessed July 12, 2024, <https://businessonestop.az.gov/>.

¹⁸ Arizona Commerce Department, "Governor Ducey Launches One-Stop-Shop to Start a Business in Arizona," Press Release, November 17, 2022, <https://www.azcommerce.com/news-events/news/2022/11/governor-ducey-launches-one-stop-shop-to-start-a-business-in-arizona/>.

¹⁹ "Arizona Business One Stop," AZ.gov.

²⁰ State of Arizona, Arizona Business One Stop User Guide, n.d., https://drive.google.com/file/d/19y9SLiD00Cargg-qsoM63Ng2xq_qoD1Q/view.

Conclusion

Arizona's permitting reforms demonstrate a multifaceted approach to streamlining regulatory processes and improving the state's business environment. From the Permit Freedom Act's standardization of local permitting criteria for land use permits and public demonstrations to the implementation of digital platforms like myDEQ and the Business One Stop portal, Arizona has demonstrated a commitment to leveraging technology and process improvement strategies to reduce administrative burdens. The adoption of Lean Management principles and efforts to assume primacy over certain federal programs further underscore Arizona's dedication to creating a more efficient regulatory landscape that is tailored to the state's unique needs.

ADEQ is at the forefront of these efforts. The reforms discussed in this report serve as a tangible manifestation of a pro-market approach. As Arizona continues to refine and expand these initiatives, it will be important to monitor their longer-term impacts. In the meantime, the state's experience offers valuable lessons for other jurisdictions seeking to balance economic development with effective regulatory oversight.

About the author

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