



Testimony on Ohio House Bill 164
12 December 2017

To Chairman Young, Vice Chair DeVitis, Ranking Member Leopore-Hagan, and members of the House Economic Development, Commerce, and Labor Committee.

Thank you for holding this hearing and providing the opportunity to offer testimony. My name is Ezra Escudero and I serve as Coalitions Director The LIBRE Initiative, the nation's largest free-market Latino grassroots organization, and a part of the Americans for Prosperity family.

On behalf of our activists across the Buckeye State, I urge you to **reject House Bill 164**, which would unnecessarily burden the construction industry of Ohio with additional onerous licensing regulations for commercial roofing contractors.

To begin with, let us look at the testimony provided by proponents of House Bill 164. Their two most compelling reasons for burdening our fellow Ohioans with additional regulations are 1.) abuse and systemic employment fraud by a minority of unscrupulous contractors who evade their obligations to pay workers compensation and unemployment compensation taxes, and 2.) a need to keep up with technological changes in the industry through training and continuing education. These reasons are valid – and they already have answers.

Keeping in mind that the vast majority of existing contractors are honest, law-abiding Ohioans, the state government already has existing agencies to deal with systemic employment fraud. The Bureau of Workers Compensation has nearly 2,000 employees in 12 customer services offices statewide, and it took in over \$1.4 billion in premiums from Ohio businesses while holding over \$25 billion in assets during FY 2016. The Department of Jobs & Family Services has over \$128 million budgeted in their Unemployment Compensation Operations program with \$10.8 million in payroll for staffing. One can hardly argue that Ohio has not made provisions for dealing with these problems. As far as enforcement and prosecuting bad actors, the Ohio Attorney General has a budget of approximately \$88 million in their Legal Services program which helps with consumer protection matters. This budget includes over \$7.5 million in their Workers' Compensation Section alone.

If these taxpayer expenditures are currently inadequate to deal with the case load of employment fraud, then the obvious answer is to increase their funding without imposing regulatory requirements on law-abiding Ohioans.

As far as technological advances in the roofing industry, it gives me great pleasure to report that tech schools, industry associations, and manufacturers provide training for roofers. In fact, many manufacturers will not even allow a contractor to sell and install their technology and products without first securing training and certification directly from the manufacturer. After all, is it not obvious? They want their product installed accurately by proficient contractors. Improper installations reflect poorly on the manufacturer and result in lower sales or lost product they replace at cost or at their own cost. Bad contractors hurt manufacturers, and that is why they already take their own steps to ensure quality in the marketplace – without burdensome regulation that rests on the shoulders of law-abiding Ohioans.

Another solution emerges: on our smartphones, we have the ability to get real customer reviews from a variety of sources. Anyone can gather information about service providers. Angie's List, Yelp, the Better Business Bureau, Google, Glassdoor, Indeed.com, Home Advisor, all of these sites and more provide information about service providers. Furthermore, manufacturers often provide lists of certified solutions providers, that way consumers know what contractors are actually certified to sell and install their products. In fact, the Ohio Roofing Contractors Association could easily maintain a list of members and certified solutions providers to the public. This is an easy and inexpensive step without creating new costs and obligations that rest on the shoulders of law-abiding Ohioans.

With House Bill 164, we have a solution in search of a problem. This is a redundant and unnecessary expansion of bureaucracy. Ohio already has a reputation for being a difficult place for businesses to start, grow, and thrive. Why would we want to make it worse by adding redundancy and cost?

This is an unfair burden that will be carried by law-abiding Ohioans, and next, let us take a closer look at that burden and measure it in real terms.

In the 1950's, less than 5 percent of American jobs required a license, but today that number has risen to nearly 30 percent. This massive proliferation of licensing regulations has touched almost every single industry, restricting access to the workforce in every kind of job imaginable. EMTs, barbers, and even horse massage therapists all pay the government for permission to practice trades they already know.

Ohio already licenses 40 low to moderate income occupations, including everything from makeup artists to mobile home installers. The requirements of these licenses restrict competition, leading to higher prices for those with licenses and restricted opportunity for those without. By extending this sprawling licensing regime to commercial roofing contractors, H.B. 164 will lock Latino workers and others out of opportunities in the construction industry at the expense of their fellow Ohioans.

If we already have state agencies combatting fraud, and we already have amazing, cutting-edge, and inexpensive solutions to help deliver quality training, continuing education, and competent contractor services, then why do some big corporate roofing contractors want House Bill 164 to pass? Why do the industry associations support new licenses and training requirements?

Time and again, the unfortunate answer is unfairly gained money by changing the rules. It is one thing to earn revenues honestly by providing value in the marketplace. We are all better off when businesses make things more innovative, better, faster, cheaper, and safer. Unfortunately, we are all worse off when businesses and organizations lobby for rules that benefit them, and burden others.

For the big corporate roofing contractors, many started out as small, family-owned businesses. They have been able to grow for many years and decades without having to secure the commercial roofing contractor's license they now propose. How is that fair? These big corporate roofing contractors want the regulation because it limits competition.

Studies by the libertarian-leaning CATO Institute, and programs by the Obama Administration point to the same thing: occupational licensing requirements create unnecessary barriers to entry. By the way, according to *The Atlantic* magazine from August of this year, even the Trump Administration plans to continue President Obama's efforts to scale back occupational licensing. So "Yes We Can – Make America Great Again!" by taking down these barriers to entry and by fighting to make sure that new ones do not go up. The barriers to entry mean that the big corporate roofing contractors can keep the smaller companies out of their way. Less competition means higher prices, not better quality. Less competition means bigger profits – not through better, faster, cheaper, and safer innovation – but through cronyism. This is not fair. This must not pass.

For the industry associations, they work hard to deliver value to their members in order to justify membership dues. Believe me, I know. I served as President of the Hispanic Chamber of Columbus from 2001-2003, and as a board member until 2006. It is difficult work. It would have been nice to lobby for a law that requires training, and to have us positioned on the inside track to drive revenues by selling training services. But this is not the right way to deliver value. Thank goodness that the marketplace already has reasons to deliver the training – manufacturers need qualified contractors. To impose this requirement through legislative fiat is another form of cronyism. This is not fair. This must not pass.

Consumers pay the price in the form of higher costs for construction and roof installation, with no measurable improvement to their safety. Far from benefiting the state of Ohio, this bill will only enrich special interest groups at the expense of everyone else. Even today, occupational licenses cost the average Ohio family an additional \$775 per year. This is a real tax, especially on the poor and the middle class, restored citizens, Latinos in Ohio, entrepreneurs with dreams and many others.

Again, from the August issue of *The Atlantic*:

In 2011, a trio of University of Minnesota and Princeton economists estimated that occupational licensing results in 2.8 million fewer jobs and costs consumers \$203 billion a year.

State lawmakers need to be made aware of these costs... In the narrowest sense, licensing boards are self-financed, (said Dick Carpenter, director of strategic research for the Institute for Justice). “But this ignores other costs, greater costs.”

Besides, it’s not a binary choice between licensing and doing nothing, he insisted. “There’s a menu of regulatory options in between”—mandatory bonding and insurance, registration, inspections, certification. Legislators should think of this menu as a continuum, Carpenter said, and go with the least restrictive option appropriate. Once licenses are on the books, it’s hard to get them off. Trade groups and training schools that benefit from the system lobby hard to keep them in place.

With approximately 4,700 roofers and 1,300 commercial roofers in Ohio, this bill risks seriously impairing our construction industry and creating barriers to opportunity for our workers. It creates a burden that the many, law-abiding roofers will have to carry for no other reason than “we already license lots of other trades, so why not this one, too?” Given the damage already caused by Ohio’s licensing regime, why should we expand it?

In fact, we already license too many and need to start scaling things back, not punishing law-abiding Ohioans. Please tear down this wall, set opportunity free, and add not a single brick more. I strongly urge you to reject **House Bill 164**, and the needless barriers to opportunity that it would impose. Thank you. I stand for any questions you may have.