

Senate Finance Committee
HB 166 – State Operating Budget Testimony
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Chair Dolan, Vice Chair Burke, Ranking Member Sykes, and members of the Senate Finance Committee, thank you for the opportunity to testify on Ohio's Scrap Laws and the proposed compliance tax credit amendment to the state budget. My name is Robert Schlicher and I am testifying today with Josh Joseph of Muskingum Iron & Metal Co. Prior to retiring from Ohio Homeland Security (OHS) last summer, I was in charge of overseeing OHS' efforts to ensure scrap metal dealers were in compliance with Ohio law. I retired as Sheriff in 2005 and joined Ohio Homeland Security in 2006.

The reason Ohio Homeland Security was interested in scrap yard transactions was the affect scrap theft had on Ohio's critical infrastructure. To that end, the scrap law has been a success. Ohio's transportation, communication and power industries have all seen a significant drop in reported metal theft. I know this from communicating with industries' security personnel while at Ohio Homeland Security.

Under Ohio's scrap laws, the state requires a scrap metal business to comply with a number of provisions, providing law enforcement with the necessary data to track down criminals who are attempting to sell stolen property. I can tell you firsthand that the support of compliant scrap metal dealers, like Josh Joseph, has been critical to bringing enforcement actions across the state. The data provided by scrap metal dealers is collected into a statewide database that law enforcement across Ohio can access in furtherance of their investigations. In addition, compliant scrap dealers have been partners in working with law enforcement to identify stolen property by reporting suspicious materials or responding to theft alerts.

The scrap database has allowed Ohio's law enforcement to make numerous arrests and identify countless suspects stealing hundreds of thousands of dollars' worth of metal from industries all over Ohio.

Examples: the identification of a suspect stealing several thousands of dollars' worth of wiring harnesses from a company in West Chester which builds garbage trucks; assisting law enforcement in the investigation of a suspect in central Ohio stealing dozens of batteries from communication stations all over central Ohio; several groups around Ohio stealing hundreds of catalytic converters. Because of the CIMS database a couple of the groups were indicted under the RICO statute.

The CIMS database has also assisted law enforcement in all types of criminal investigations, including homicides. A recent case was an Upper Arlington homicide investigation.

Over the years I visited dozens of scrap metal dealers and have a true appreciation of the expense of complying with Ohio's scrap metal law. The employees of the scrap metal dealers need to be trained, they need to purchase cameras, they need to purchase id scanners, they are required to

upload data to a state server and they must have ways to safeguard the information that they collect. This all comes at a significant financial cost that compliant scrap dealers undertake so that they can assist law enforcement with protecting Ohioans property.

Law enforcement's success in reducing property theft over the last few years is directly related to the partnership with scrap metal dealers that has existed since the state's scrap laws were first enacted. It is imperative that OHS continue to ensure scrap dealers are able to provide this critical data by complying with the scrap laws, and this tax credit will help continue the partnership by alleviating some of the financial burden on scrap dealers. There is no reason for this successful partnership to end now and this is the least we can do for those business owners who have stepped up to assist law enforcement.

Chair Dolan, Vice Chair Burke, Ranking Member Sykes, and members of the Senate Finance Committee, I also thank you for the opportunity to testify on Ohio's Scrap Laws and our tax credit amendment. My name is Josh Joseph and I am the vice president of Muskingum Iron & Metal Co. and a member of the Ohio Valley Chapter of the Institute of Scrap Recycling Industries (ISRI). The Northern Ohio and Ohio Valley Chapters of ISRI represent businesses who process, broker and consume scrap commodities, including metals, paper, plastics, glass, rubber, electronics, and textiles. These businesses are an integral part of the manufacturing process and support tens of thousands of jobs and billions of dollars in economic activity across Ohio.

In the early 2000s the scrap metal industry partnered with law enforcement to create a database that would help to identify scrap metal thieves and bring them to justice. However, that assistance has come with both equipment and staff costs that were not anticipated at the time. As a result, the industry is seeking a tax credit for scrap metal recyclers who are considered in compliance by the Ohio Homeland Security.

Businesses are required to purchase and maintain computers, software, cameras, data storage, and other equipment for the sole purpose of complying with the scrap law requirements. Staff must be trained on the procedural regulations demanded for completing a simple business transaction, trained in the processes for collecting and submitting the required data for each business transaction, and trained on prohibited business activities, including materials on the do-not-buy-list and ineligibility of certain would-be sellers.

Our business model now must include the burden of providing law enforcement with data to help achieve their enforcement goals, and all we are asking for is the state to help us as we continue to help law enforcement. This burden comes during a time of economic uncertainty for the industry with federal tariffs, and on top of the current proposal to raise business taxes included in the House-passed version of HB 166.

With the state's assistance, we will be able to continue working with law enforcement, while also promoting business growth in the industry. The scrap recycling industry is the first link in the manufacturing supply chain and plays a prominent role as a job creator and economic leader. Our businesses are an integral part of the manufacturing process and support tens of thousands of

jobs and billions of dollars in economic activity across Ohio. Helping our businesses meet the scrap law requirements is helping grow Ohio's economy.

As a result of unequal enforcement across the state and recent federal case law that indicates that the state cannot require private businesses to turn over the information that is being requested, there are a number of scrap metal recyclers that continue to not comply with the law. This tax credit will assist with encouraging more scrap recyclers to comply with the law, help to offset the substantial expense of regulatory compliance for scrap metal business owners like me and further assist law enforcement in its efforts to identify and prosecute thieves.

The partnership between Ohio's scrap dealers and law enforcement is very helpful in identifying thieves as dealers work hand in hand with law enforcement. We are happy to continue this partnership, but there is a substantial expense that business owners like me are incurring and we need some relief from these expenses. We ask for your support to include this tax credit amendment in the state budget.

Thank you again for the opportunity to testify today. We would be happy to answer any questions you may have.