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S.B. 9 Sponsor Testimony
Ohio House Government Oversight Committee
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Good morning Chair Wilkin, Vice-Chair White, Ranking Member Sweeney, and members of the House Government Oversight Committee. Thank you for the opportunity to provide sponsor testimony today on Senate Bill 9 (SB9). This legislation is a redraft of priority legislation from the 133rd GA, SB1, which initially passed both Chambers but ran out of time before the agreed upon Conference Committee report could be voted out of both Chambers.

Like SB1, SB9 aims to restore to a healthy level the number of regulations in Ohio. Although passed with the best of intentions, the accumulation of new laws and regulations overtime slow economic growth and employment opportunities. *It is like sludge in the economic engine.* Think about it. Say you want to start a new business and want to be fully up to speed on Ohio's Administrative Code (OAC), so you sit down to read all the rules you need to follow in Ohio.

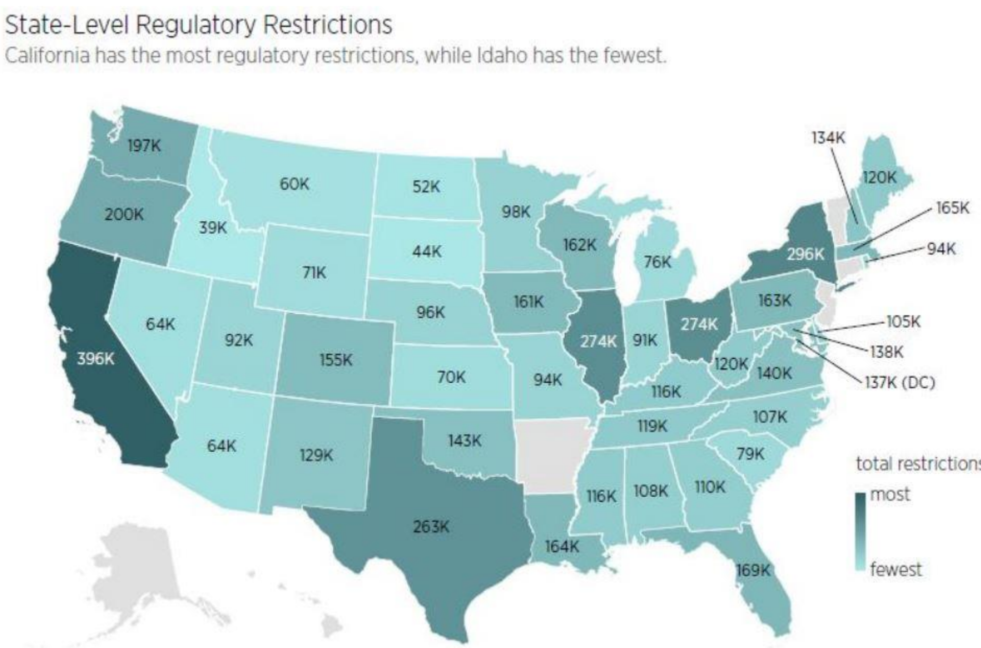
Better get comfortable because the OAC contains over 15 million words. Reading at a rate of 300 words a minute for 40 hours a week, it would take you 844 hours or about 21 work weeks of non-stop reading to peruse the OAC in its entirety. Over the course of that reading marathon you would discover approximately 274,000 unique restrictions (words like must, shall not, required to etc.). I would be remiss if I did not mention that this is in addition to more than 1.08 million additional restrictions in the federal code.

Individuals and businesses in Ohio must navigate these different layers of restrictions to remain in compliance.[1] It's truly a wonder that anyone wants to start a business with that much red tape to navigate.

[1] https://www.mercatus.org/publications/state-and-local-policy/snapshot-ohio-regulation-2018

Researchers at the Mercatus Center at George Mason University developed State RegData, a platform for analyzing and quantifying state regulatory text. State RegData captures information in minutes that would take an ordinary person hours, weeks, or even years to obtain. This tool allows researchers to identify restrictive word counts. Known as regulatory restrictions, the words and phrases *shall*, *must*, *may not*, *prohibited*, and *required* can signify legal constraints and obligations.

To gain a better understanding of the reach of state-level regulation in the United States, the Mercatus Center at George Mason University completed the first version of the State RegData project in 2019, which we discussed during the SB01 debate.   However now we have Version 2.0 of the project, which was released in August 2020 This study gathered and analyzed the regulations of 44 states plus the District of Columbia. (Alaska, Arkansas, Connecticut, Hawaii, New Jersey, and Vermont were not analyzed due to limitations on data availability.)



Unfortunately Ohio has the dubious distinction of still being in the 5 most restrictive states, which are in order, starting with the worst:

- California 396,000.
- New York 296,000
- Ohio 274,000
- Illinois 274,000
- Texas 263,000

On the other end of the regulatory spectrum, sixteen states have fewer than 100,000 regulatory restrictions in their administrative codes. Idaho has the fewest number of restrictive regulations, with less than 39,000 restrictions. Montana, North Dakota, and South Dakota are other states with fewer than 60,000 restrictions. [2]

Certainly, regulations can have a positive impact: protecting any number of things such as wildlife, consumers, small businesses, etc. However, regulations are also costly:

- Research indicates that if regulation had been held at 1980 levels during the period between 1980 and 2012, per capita income in the United States would have been about $13,000 higher.
- The same research indicates that a 10 percent increase in total regulation leads to a nearly 1 percent increase in consumer prices. An increase in the price of consumer goods disproportionately impacts low-income groups that spend a greater proportion of their average budget on necessities.
- Regulation can also reduce economic opportunities for both potential workers and potential business owners by shifting demand from low- skilled labor to high-skilled, licensed labor.
- Regulation can also legally limit job opportunities through mechanisms such as licensing. This type of regulation raises the cost of entry into an occupation through fees and training requirements. These costs are often difficult for low-income households to afford.[3]

Let me be clear: The problem is not regulation – it is unnecessary and or excessive regulation. SB 9 provides a solution, a pathway to relieving Ohio of the regulatory albatross and unleashing economic potential in our state.

I would like to thank Senator McColley for his leadership on this topic and would respectfully request that the committee hold their questions until he has had an opportunity to share his testimony.

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[2] https://www.mercatus.org/publications/regulation/quantifying-regulation-us-states-state-regdata-20

[3] https://www.mercatus.org/publications/regulation/effect-regulation-low-income-households 6/10

Good morning Chairman Wilkin, Ranking Member Sweeney, and members of the House Government Oversight Committee. Thank you, Mr. Chairman, for giving us the opportunity to speak on SB 9, the Regulatory Reform Bill that aims to reduce Ohio's regulatory environment.

Thank you to my co-sponsor, Senator Roegner for her leadership on this issue and all of her work on it. Senator Roegner went over some of the background data and the Mercatus study that showed where Ohio stands in terms of regulatory reform. Having the opportunity to reintroduce this bill today, my testimony will be focused on summarizing the requirements established in SB 9. Many of the Senate changes made to SB1 of the last General Assembly were made after working with the Joint Committee on Agency Rules and Review (JCARR) and other members from both sides of the aisle, and are aimed at making the rule reduction requirement in the bill work more smoothly from a logistical standpoint.

One of the most significant changes made in this legislation is allowing state agencies the right to show cause to JCARR as to why the required regulatory reductions in the bill cannot be met. If the agency succeeds in establishing that it cannot satisfactorily accomplish its intended mission and reduce its number of regulatory restrictions according to the schedule set in SB 9, JCARR is permitted to adjust the agency's regulatory restriction goal accordingly. In other words, if a state agency fails to reach the required 10% annual rule reduction in any of the three years, it may approach JCARR and ask for an adjusted rule total. If JCARR chooses to grant the adjustment, the agency may avoid the 2 for 1 rule reduction penalty measures that were established in the last operating budget and extended here in SB9, and utilize the adjusted rule reduction level as its newly authorized number of rules. If JCARR chooses to not grant the adjustment, the agency must either meet the rule reduction schedule in SB 9, or face the 2 for 1 rule reduction penalty measures established for agencies that fail to comply.

Another change made to SB 9 in the Senate involves the narrowing of the type of rules that are under JCARR review. Amendments made in the Senate removed certain references in the bill to lottery instant game rules (which are not under JCARR review), confidential personal information rules (which prevent personal information from being used for state purposes), rules incorporated by reference (since JCARR does not have the ability to change a referenced document) as well as emergency rules (which are also not under JCARR review). Additionally, the Common Sense Initiative (CSI) will have authority to review existing state agency rules for purposes of reducing regulatory restrictions and compelling agencies to eliminate rules.

These regulatory requirements have been placed at the cabinet level agencies, instead of the individual agency level, to alleviate burden on smaller agencies and to widen the focus on overall regulatory reduction. A website will be created so that individuals and businesses can directly report to JCARR what regulations cause the greatest limitations and struggles. This legislation is pro-business, and has previously received support from the Ohio Chamber of Commerce and NFIB.

SB 9 is an important step in reducing the government's impact on Ohioans lives and businesses. We need to know how many restrictions we have, we need to systematically review them, and we need to eliminate the rules that are unnecessary. Thank you for the opportunity to speak about SB 9; we are happy to answer any questions you may have at this time.