THE BUCKEYE INSTITUTE

Interested Party Testimony on Senate Bill 1 Before the Ohio Senate Government Oversight and Reform Committee

May 7, 2019

Greg R. Lawson, Research Fellow
The Buckeye Institute

Chairman Coley, Vice Chair Huffman, Ranking Member Craig, and members of the Committee, thank you for the opportunity to testify today regarding the need for regulatory reform in Ohio and Senate Bill 1.

My name is Greg R. Lawson. I am the research fellow at **The Buckeye Institute**, an independent research and educational institution—a think tank—whose mission is to advance free-market public policy in the states.

The Buckeye Institute applauds the Senate for taking up regulatory reform in an effort to cut bureaucratic red tape. Ohio desperately needs regulatory reform that eliminates unnecessary regulations that strangle private industry and enterprise as part of the state's broader reform efforts to boost economic growth. If Ohio does not focus its regulations and rules on protecting the public from genuine harm, the state will continue to see slower growth and lower prosperity compared to many other states.

Some regulations, of course, are essential for preserving public health and safety. No one wants doctors using unsterilized medical equipment, or inadequately trained engineers designing bridges, or toxic chemicals polluting our soil and waterways. Requiring appropriate education and training for physicians, healthcare providers, pilots, and truck drivers helps safeguard the general public in our hospitals and on our roads and runways. However, the same cannot be said with respect to auctioneers, travel guides, and hairdressers—all currently subject to Ohio's byzantine and overly restrictive licensing requirements.

The Buckeye Institute's report, ***Forbidden to Succeed: How Licensure Laws Hold Ohioans Back***, showed not only that Ohio's licensing burdens are more stringent than the national average, but also that nearly every Ohio license that requires training can be earned in less time in another state. Our subsequent study, ***Still Forbidden to Succeed: The Negative Effects of Occupational Licensing on Ohio's Workforce****,* confirmed the disturbing and stubborn fact that Ohio's licensing requirements erect higher barriers to employment for those most in need of quality jobs: middle-aged and low-income workers, and those without a college degree.

Our macroeconomic dynamic model, developed by economists at The Buckeye Institute's **Economic Research Center**, revealed that Ohio's licensing requirements have prevented more than 7,000 people between the ages of 25-45 from pursuing licensed occupations, and have discouraged people from migrating to Ohio to enter the job market. The model also showed that high licensing costs keep workers from good-paying professions, and suggests that without such costs more workers would find employment.

The good news is Ohio now has one of the nation's best occupational licensing reform laws thanks to the leadership of Senate President Larry Obhof, Senator Rob McColley, and Representative Ron Hood. **The Buckeye Institute-championed** reforms give you, the legislature, the tools needed to rigorously review existing and new licensing laws. The task now is to use these tools to eliminate needless occupational licensing regulations that prohibit Ohioans from starting a new career or advancing in their jobs.

Beyond occupational licensing reform, Ohio must also reexamine government mandates that interfere with market-pricing and make goods artificially more expensive for businesses. Such interference ultimately leads to slower job growth as businesses curtail hiring and wages in order to offset the artificially higher costs created by the mandates. Ohio's Renewable Portfolio Standard (RPS), for example, has a limited effect on public safety, but a tragically negative effect on job creation and employment.

Advocates of Ohio's RPS requirements assured us that the standard would create jobs while making the environment cleaner and healthier. Unfortunately, as The Buckeye Institute's **research** has shown, the RPS actually results in *fewer* jobs across the state. Using a realistic scenario, our dynamic macroeconomic model estimated that Ohio's current RPS could mean as many as 63,000 fewer jobs in Ohio by 2022. Using even more conservative assumptions, the study estimated that the RPS will cost more than 25,400 people employment by 2022. Renewable energy will undoubtedly play a larger role in the state and national energy mix, but Ohio's mandates make energy prices higher today and create significant red-tape hurdles for manufacturers who are forced to spend more money to meet their energy needs and less on hiring.

Other academic research supports our concerns about the dire impact that regulations have on job creation. The Regulatory Studies Center at George Washington University, for instance, **has noted** that most empirical analyses find that regulation has a negative effect on entrepreneurship, which should concern lawmakers because research also shows that first-year entrepreneurial start-ups **have historically been net job creators** even as existing businesses are net job destroyers. Thus, regulations that harm entrepreneurship, harm job growth.

The Ohio Senate's steps last session to improve the state's regulatory environment, such as Senator Joe Uecker's Senate Bill 221 allowing the Joint Committee on Agency Rule Review to conduct more immediate reviews of rules and their effects, and Senator McColley's Senate Bill 255 reforming Ohio's occupational licensing regime, were steps in the right direction.

Senate Bill 1 builds upon those efforts by requiring state agencies to review their existing rules and identify those rules that have regulatory restrictions that include the words "shall," "must," "require," "shall not," "may not," and "prohibit." When the **Mercatus Center at George Mason University studied** the use of these regulatory words and corresponding restrictions across multiple states, it concluded that Ohio compares poorly. Despite some methodological limitations, the Mercatus Center study offers a rough quantification of the regulatory burden that the Ohio Administrative Code imposes on Ohioans.[1] Senate Bill 1 makes good use of the Mercatus study by requiring every state agency to take a closer look at its existing restrictions and then requiring them to prepare a base inventory of those restrictions in order to begin limiting and reducing their numbers.

Canada's British Columbia adopted a similar policy creating a **regulation inventory** and then capping the maximum allowable regulatory restrictions. Since 2001, British Columbia has **reduced its regulatory restrictions by nearly 50 percent**—without endangering public safety.

[1] The Mercatus study counts all restrictive words but does not distinguish between those restrictions that apply to Ohio citizens or businesses from those that apply to state agency actions and thus might actually prove beneficial. The study also does not distinguish between rules that are imposed strictly by the state from those that incorporate federally imposed mandates.

A comprehensive inventory of agency restrictions will give policymakers a clearer picture of where the state's bureaucratic red tape truly lies; and a cap on regulatory restrictions will compel agencies and the General Assembly to carefully consider and prioritize any new restriction proposed. Senate Bill 1 advances the Senate's yeoman's effort to develop a meaningful process to methodically and thoughtfully reduce regulatory restrictions and burdens on all Ohioans.

Thank you for your time and consideration. I welcome any questions that the Committee might have.

About The Buckeye Institute

Founded in 1989, The Buckeye Institute is an independent research and educational institution – a think tank – whose mission is to advance free-market public policy in the states.

The Buckeye Institute is a non-partisan, nonprofit, and tax-exempt organization, as defined by section 501(c)(3) of the Internal Revenue code. As such, it relies on support from individuals, corporations, and foundations that share a commitment to individual liberty, free enterprise, personal responsibility, and limited government. The Buckeye Institute does not seek or accept government funding.