



2012 Annual Report

February 1, 2013

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Introduction

On January 10, 2011, Governor John R. Kasich signed Executive Order 2011-01K establishing the Common Sense Initiative (CSI) Office and placing it under the leadership of Lt. Governor Mary Taylor. The Common Sense Initiative is a process for independently evaluating the economic impact of state agency regulations on Ohio businesses.

In implementing the Executive Order, Lt. Governor Taylor has placed a premium on the principles of transparency and accountability. The CSI Office has been designed to function as a partnership between the Administration, state agencies, the business community, and the public to develop a regulatory framework that balances the important need for regulation with the equally important need to promote economic development and job creation. As such, in March of 2011, Lt. Governor Taylor developed a strategic plan to guide the operations of the CSI Office and to serve as the basis for ongoing reporting. The CSI Office will formally report twice each year on its activities and on its progress toward meeting the objectives in the Strategic Plan.

As described in the Strategic Plan, the work of the Common Sense Initiative (CSI) Office has been based on the following four principles:

1. Regulations should facilitate, not hinder, economic growth.
2. Regulations should be transparent and responsive.
3. Compliance should be as easy and inexpensive as possible.
4. Regulations should be enforced fairly and consistently.

A key goal of CSI was to establish a process for reviewing the impact of agency rules on businesses. CSI successfully delivered on this promise and in 2012, for the first time in Ohio, state agencies had to follow a formal process to justify the impacts to businesses from their rules. In 2012, the CSI Office reviewed more than 1,500 proposed rules and overall, rule filings were down by 44 percent compared to the historical average.

In addition, 2012 provided a number of opportunities to work directly with businesses to resolve regulatory burdens that were standing in their way. This annual report highlights a number of these accomplishments, and in many cases, the dollars and jobs saved.

We continue to protect the environment, children, food safety, and other areas where regulations are critical to our quality of life. But in Ohio, we are ensuring that before proposing rules impacting business, agencies take time to involve those businesses and ensure that the regulations can be justified through the CSI process. As Ohio's economy continues to rebound and outpace the nation's recovery, Governor Kasich and Lt. Governor Taylor believe that the Ohio Model of balancing the budget, lowering taxes, and streamlining regulations will serve as the long-term foundation for job growth and prosperity.

Goal 1: Develop a CSI process that is efficient, credible, and effective

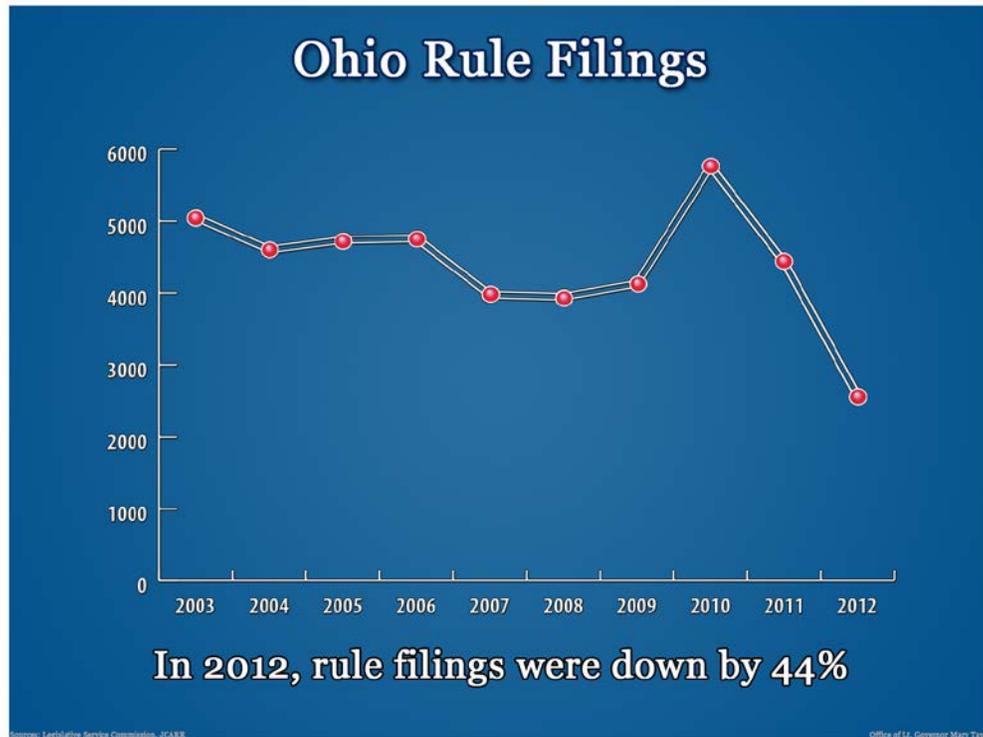
Measurables:

1. <u>Number of regulations reviewed</u>	1,519
2. <u>Number of rule packages reviewed</u>	171
3. <u>Number of CSI recommendations issued</u>	27
• Number of rule packages rejected by CSI	3
4. <u>Number of revised Business Impact Analyses received</u>	60
5. <u>CSI turnaround times</u> ¹	
• Average length of public comment period	18 days
• Average length of time for CSI response	42 days
6. <u>Percentage of recommendations implemented</u>	100%
7. <u>Number of motions to invalidate by JCARR</u>	0
8. <u>Number of comments received through the electronic notification system</u>	309
9. <u>Number of business-impacting rules rescinded or amended</u>	779
• Rescinded	86
• Amended	693

Analysis: Effective January 1, 2012, all proposed rules that impact business (new, amended, and those being reviewed under Ohio’s five-year review requirement) are submitted to the CSI review process. In 2012, CSI reviewed 1,519 rules, which were presented in 171 rule packages. This represents 54 percent of all rules filed with the Joint Committee on Agency Rule Review (JCARR). In total, based on information provided by the Legislative Service Commission (LSC) and JCARR, state agencies filed 44 percent fewer rules in 2012 compared against the historical average (see **Table 1**). As has been discussed in prior reports, this significant of a reduction in rule filings is not sustainable given the number of existing rules and the statutory requirement (in Ohio Revised Code 119.032) to review them at least every five years. However, the slowdown in rule filings indicates that agencies understand and consider the CSI process and the need to justify their rule proposals before making decisions to draft and submit rules to JCARR.

¹ Ohio Revised Code 121.82 states that an agency may not file with JCARR until at least the 16th business day after it submits the rule to CSI for review. The number of calendar days may vary depending on holidays and the number of weekends that fall within the timeframe. Twenty-two calendar days is the most common conversion benchmark.

Table 1



Sources: Ohio Legislative Service Commission, Joint Committee on Agency Rule Review

Measurables (3) and (4) reflect the interaction between CSI and state agencies, boards, and commissions submitting rule packages for review. Recommendations are issued by CSI in a formal memo and generally suggest revisions that the submitting agency should make to the draft rules, or in some cases to its Business Impact Analysis (BIA). In three cases, CSI recommended that the agency withdraw the rules and not file with JCARR. More than one-third of the packages submitted to CSI required the agencies to revise their BIAs. These numbers reflect the fact that the CSI process involves significant work with agencies to resolve concerns identified by stakeholders and CSI staff, and resolve potential problems before they lead to recommendations or rejected rule packages. Either way, before the rule packages proceed to JCARR, the agency must appropriately articulate the need for the rule and justify its impact to business.

While many of these measures relate to the CSI process and the quantity of rules reviewed by CSI, measurables (6) and (7) reflect the substance of the reviews. At this point, no agency has refused to accept and implement a recommendation issued by the CSI Office, and JCARR has not moved to invalidate a rule that was vetted through the CSI process and found to be justified by the regulatory purpose.

For the 171 total rule packages reviewed during this time period, CSI has received a total of 309 electronic comments submitted by stakeholders. We expect this number to increase over time as more stakeholders become aware of the CSI process and take advantage of the opportunity to participate through the Ohio Business Gateway (www.business.ohio.gov/reform). In the first six months (January-June 2012), only 72 comments were received (for 52 rule packages), so it appears that awareness of the ability to comment and impact rule development is steadily increasing. However, the number of comments continues to be inconsistent across rule packages, and demonstrates a need to continue to drive stakeholders to comment during the CSI review.

Goal 2: Impact a significant number of regulations based on the vision statement for the CSI Office

Discussion:

The CSI Strategic Plan included the following vision statement:

The work of the Common Sense Initiative (CSI) Office will be based on the following four principles:

1. Regulations should facilitate, not hinder, economic growth.
2. Regulations should be transparent and responsive.
3. Compliance should be as easy and inexpensive as possible.
4. Regulations should be enforced fairly and consistently.

As discussed in prior reports, the CSI Office operates along two tracks, and those tracks have different measures and different ways of impacting the business climate in Ohio. The formal rule review track is described and measured in Goal 1. The second track is more of a bottom-up approach, where the CSI Office seeks input from businesses about the regulations that most directly impact their ability to operate, grow, and create jobs in Ohio. On this track, CSI activities may focus on assisting a single business (serving an ombuds function to help navigate the state bureaucracy), one industry sector, or a broader swath of the business community.

When it was first announced, the CSI Office experienced a heavy inflow of suggestions and requests for assistance. In 2011, CSI received more than 350 email submissions through either the CSI website or the CSIOhio@governor.ohio.gov email address. As might be expected, it appears that the volume has subsided to a lower but steady level. In 2012, 149 suggestions were received through email. Additional suggestions and requests have been received via direct outreach to businesses by the Lt. Governor, staff, and the Small Business Advisory Council. Increasing awareness of the Office among businesses and the general public, and using the communications resources available – web site, social media, etc. – to drive suggestions to CSI continues to be a priority.

Previous reports have also established that the second track of CSI operations is less quantifiable in terms of number of regulations impacted, but is more focused on communicating stories of CSI successes to demonstrate change to the business community. The cumulative effect of these “success stories,” if significant, will help change the perception of Ohio’s regulatory climate and show the impact of CSI. As such, the success of Goal 2 includes a discussion of specific regulatory initiatives, along with specified measurables.

2012 CSI Initiatives

Clinical Research Faculty Certificates – Prior law allowed academic medical institutions to appoint internationally-trained doctors to their faculties. These institutions bring in top-level

talent from around the world under this certificate to teach and conduct cutting-edge research at their institutions. However, these doctors could previously only stay for three years, so we either forced world-renowned researchers to leave Ohio or, more often, we weren't able to attract them in the first place knowing that they could only stay three years. In 2011, the spouse of a doctor with an expiring certificate contacted CSI seeking help. CSI brought all stakeholders together to draft legislation to ensure that the State Medical Board has the authority it needs to protect the public, but to allow these special certificates to be renewed so that we can keep these leaders in their fields in Ohio. In the process, an additional alternative license for eminent physicians not as directly tied to research was developed. The Clinical Research Faculty Certificate was enacted in June 2012. Already we have heard about prominent researchers staying in Ohio under the certificate, and new doctors practicing highly advanced medical research being recruited to Ohio.

Sales Tax Refund – CSI heard from a company that had mistakenly paid \$65,000 in sales tax – instead of simply filing, the company also paid when it didn't need to. It learned about the mistake when it started bouncing checks. The company's CPA contacted the state and was told that it could get a refund in about six months. This small company could not afford a \$65,000 hit to its cash flow for six months. CSI immediately contacted the Department of Taxation and got them to expedite the refund so the company could continue to operate.

Residential Building Code – The Residential Construction Advisory Committee (RCAC) and the Board of Building Standards (BBS) had been working since April 2009 to develop a revised Residential Building Code. CSI was aware that this had historically been a source of tension within the homebuilding industry, which did not feel that the regulatory bodies had justified any new requirements, or their associated costs, in the Code. Working through the CSI process, the BBS was required to complete a Business Impact Analysis in which it outlined the changes being proposed, any new costs from these changes, and why the changes were necessary. Using this analysis, CSI brought the BBS, the Department of Commerce, and the Ohio Homebuilders Association together to ensure that industry questions were answered and input was considered. By fleshing out these issues, a consensus was achieved around a version of the Code – supported by the homebuilding industry – that protects homebuyers while minimizing the costs. The new Code completed the JCARR rulemaking process in June 2012 and takes effect in 2013.

Liquor Permit Transfer – CSI was contacted by the owners of a sports pub that was having difficulty obtaining the necessary inspection and completing the requisite paperwork to allow the transfer of a liquor permit. CSI then worked closely with the Department of Commerce to determine what remaining paperwork needed to be completed and get the inspection scheduled in a timely manner.

Medicaid Certification – The owner of a child care center in Butler County that offers a range of behavioral health services for children was having difficulty achieving Medicaid certification. CSI facilitated a number of conversations between the owner and staff at the Ohio Department of Mental Health (ODMH). From the new business's perspective, the dilemma was that the business needed to bill Medicaid in order to operate, but there was a strict level of prior

experience needed in order to be certified. In the end, ODMH agreed to accept preliminary accreditation and issued a fee waiver. Along the way, ODMH also toured the center and provided technical assistance to the center about proper Medicaid billing.

Declaration of Material Assistance – CSI received numerous suggestions through the CSI email address and also in person at various meetings and events to do away with the Declaration of Material Assistance. The form was legislatively mandated in the aftermath of the September 11, 2001 terror attacks, and required any entity doing business with the State to declare whether it provided material assistance to terrorist organizations. Though well-intentioned, in practice the form had uncovered no terrorist organizations and caused administrative headaches for the handful of businesses that were unlucky enough to incorrectly fill out the form. CSI worked with the Department of Public Safety to have this requirement repealed in the Mid-Biennium Budget Review legislation enacted in June 2012.

Fire Sprinkler Systems – CSI was contacted by a business that had been informed by its local fire department that it needed to install a prohibitively expensive fire sprinkler system at its adult daycare business. Working with CSI, the Department of Commerce convened a meeting between the business owner, the fire department, and the state’s Board of Building Standards. This meeting allowed the business owner to demonstrate to the appropriate regulators that expensive retrofitting of the space with fire sprinklers was not required to ensure the safety of the business’ employees and customers. According to the owner, the business likely would have closed had the initial sprinkler system been required.

Massage Therapist Licensure Examination Fees – The State Medical Board of Ohio proposed to eliminate a fee carry-over for certain applicants who applied for but failed to take the December 2011 massage therapy examination (the last Board-issued examination before transitioning to a national examination). Typically, if an applicant fails to sit for the examination, the fee is carried over and applied to the examination they actually take. The proposed rule eliminating this carry-over would have resulted in a \$250 loss for each of the applicants. CSI recommended that the Board refund the \$250 fee to each of the 53 applicants, and allow them to reapply under the new examination system like all other applicants. Ultimately, the Board agreed to refund a total of \$13,250 to the applicants.

Microdistillery Regulation (HB 243) – Ohio law only allowed three manufacturing permits for microdistilleries in the entire state, effectively stifling an industry that represents an emerging trend throughout the country. CSI heard about this issue and supported legislation that had been introduced to expand the number of these permits allowed, and to allow for product tasting on site. These changes create more opportunity for businesses in Ohio, and also provide an ability to generate interest through the activities allowed on site. As a result, there will be jobs created, local products sold, and additional demand for Ohio agricultural products to be used in the process. House Bill 243 took effect in March 2012.

EPA Duplicative Testing – Ohio EPA was trying to make a small asphalt company conduct new air emissions testing as part of a permit, even though the company had just recently conducted the same testing. The second round of testing would have cost approximately \$20,000 and provided no additional environmental benefit. CSI brought the parties together, encouraged OEPA to review the permit language, and the Agency agreed that the duplicative testing was unnecessary. The company will not be required to do another round of testing until shortly before the permit expires.

Restaurant Expansion/Building Code – A restaurant in Columbiana County experienced increased business, largely related to the shale industry. It needed to knock down a wall and expand into an adjoining building, but in doing so, ran into significant and complicated permitting issues with the Department of Commerce. The owner contacted CSI, which got involved and worked with Commerce to get the restaurant a temporary permit to stay open (critical because of seasonal traffic). CSI continued to help them work through the remaining permitting issues. The restaurant is on track to receive its standard permit, has doubled its space, and is hiring four additional employees. The restaurant owner stated that she likely would have given up on pursuing the expansion without CSI's help in navigating the system.

Pharmacy Expansions/Medicaid Certifications – CSI was contacted by a pharmacist who worked for a small pharmacy system. The pharmacy was prepared to add locations to serve two towns that no longer had pharmacies, but was having difficulty navigating the Medicaid authorization for the new locations. After contacting CSI, which worked with Medicaid to resolve the situation that was delaying certification. The pharmacy received its authorization within about a week, and was able to open the new locations. Soon after this success, CSI was contacted by another pharmacy owner in a similar situation, and was able to achieve similar results.

County Water & Sewer Permit – CSI was contacted by the Butler County Sewer & Water Department about a pending permit renewal with the Ohio EPA. The County, which had upgraded its facility in 2005 at a cost of \$12 million, was facing additional upgrade requirements as a result of proposed reductions in the phosphorous discharge levels allowed in its permit. The County estimated that the upgrades required by 2017 would lead to 30-40 percent increases in customer sewer bills, with virtually no environmental benefit due to other dischargers who were not similarly regulated. CSI worked with Ohio EPA, which ultimately agreed to remove the reduced limits from the permit and conduct a study in 2017 about the overall watershed to ensure that discharge requirements for all users would be appropriate and effective.

Measurables:

1. Number of regulatory suggestions received through CSI contacts

In 2012, the CSI Office received 183 suggestions and requests for assistance either directly through the CSI web site, the CSIOhio@governor.ohio.gov email address, or indirectly via referral. Inspection/compliance issues (particularly those involving building codes)

constituted the largest segment at 12 percent. Matters involving various tax issues and workers' compensation were the next largest components at 7 percent each. See Goal 3 for more information about specific topic areas.

2. Jobs created or retained/Dollars saved

As evidenced in the initiatives described above, there is often a lag time between when CSI is able to initiate change and when specific statistics on job creation/retention or dollars saved are able to be measured. In some cases, a number of factors combine to make it difficult to attribute any specific numbers to CSI actions. However, it must continue to be a priority to revisit these issues and, where appropriate, quantify the impact of CSI actions. Below are examples of data gleaned in 2012 (except where noted, the stories are explained in more detail above):

- Alcohol Requirements for Food Manufacturers – This project is described more fully in CSI's 2011 Annual Report. In June 2012, Custom Culinary – the company that initially brought the issue to CSI's attention – announced a \$5 million expansion which created at least 17 new jobs.
- Residential Building Code – According to the Ohio Home Builders Association, the changes from the CSI process to just the energy portion of the code saved at least \$2,000 in construction costs for the average new home, compared with the initially-proposed version. This translates to approximately \$27 million industry-wide based on 2013 estimates for housing starts.
- Clinical Research Faculty Certificates – While there are dozens of license holders statewide, we are aware of two specific impacts from this legislation. The Cleveland Clinic's Department of Outcomes Research relies on three key international staff who had expiring certificates. Had renewal not been authorized, we were informed that the entire Department likely would have relocated to another institution in another state. According to the Cleveland Clinic, these licensees attracts millions of dollars in ancillary investment. In addition, Nationwide Children's Hospital was able to recruit a team of two pediatric heart surgeons, one of whom came to Ohio under the new Eminence License. These two surgeons perform cutting edge surgery using the child's own tissue, providing Ohio with a level of medical care available nowhere else in the world, and at the same time attracting numerous business investments associated with their research.
- Pharmacy Expansions/Medicaid Certifications – The two pharmacies assisted by CSI were able to hire eight new employees as a result of their respective expansions.
- County Water & Sewer Permit – The County estimated that the initial permit would have required significant new facility investment that would have resulted in 30-40 percent rate increases for its customers.
- Restaurant Expansion/Building Permit – As a result of the expansion, the restaurant has been able to hire four new employees.
- Fire Sprinkler Systems – According to the owner, six employees were able to keep their jobs because the business remained open.

- EPA Duplicative Testing – CSI’s intervention was able to help the business owner avoid approximately \$20,000 in unnecessary testing.
- Van Wert Building Code – As a result of a 2011 meeting in Van Wert and work with the Department of Commerce (see 2011 Annual Report), Latty Grains was able to open a new \$2.7 million fertilizer plant in Paulding County in June 2012.
- Massage Therapist Licensure Examination Fees – As a result of CSI’s recommendations, the State Medical Board agreed to refund a total of \$13,250 to the massage therapist applicants.

Goal 3: Change the culture in agencies to be consistent with the CSI principles

Description: Improving regulation is as much about attitude as it is about any specific regulation. A major effort of CSI has been to incorporate the CSI values within the regulating agencies themselves so that regulators are practicing these values in their daily activities. Just as the regulatory processes will be more effective through compliance than through enforcement, the CSI process will be more effective if it becomes a part of the agency cultures than if it relies on the CSI Office to “fix” regulations.

Measurables:

1. CSI initiatives by agencies independent of CSI Office

The CSI process allows agencies to initiate improvements to their regulations on their own. While the CSI Office does not have to be involved in every CSI initiative, agencies have been asked to report on those initiatives so CSI efforts occurring organically within the agencies can be catalogued. The CSI Office has received information from some agencies about specific CSI initiatives they have undertaken (see **Appendix A**).

2. Compliance among agencies

As agencies become familiar with the CSI process and the expectations of the CSI Office, draft rules and business impact analyses should address unnecessary business impacts prior to being submitted for review. As such, tracking the number of CSI recommendations will help identify whether this understanding is occurring or not. For 2012, the following are some key statistics from the rule review process demonstrating agency compliance:

- CSI Recommendations: 27
- Rule Packages Rejected by CSI: 3
- Revised Business Impact Analyses: 60

These statistics show that the rule review process has involved significant back-and-forth with agencies to meet CSI expectations. This is especially true in the area of revised Business Impact Analyses, which may not necessarily indicate problems with the regulations being proposed. Instead, this number shows that agencies are being required to think about and justify their proposals in a new way. Holding agencies accountable for sufficiently articulating the need for a regulation, the impact of that regulation, and why it’s justified is an important part of the CSI process. The fact that more than one-third of the rule packages submitted in 2012 needed revised BIAs demonstrates the learning curve for this process.

3. Public comments

Although not a scientific measure, the frequency of public complaints about a specific regulation or a specific agency provides some indication of the agency’s relationship with its stakeholders. Tracking the suggestions and complaints received by the CSI Office will help identify the degree to which each agency is incorporating the CSI principles into its regular operations.

Of all the various suggestions and requests for assistance CSI received in 2012, the following subject matters comprised the highest percentage of CSI contacts:

- | | | | |
|---------------------------------|-----|-----------------------------------|----|
| • Inspection/Compliance | 12% | • Environmental Regulations | 4% |
| • Taxes | 7% | • Smoking Ban | 3% |
| • Workers' Compensation | 7% | • Unemployment Compensation | 3% |
| • Doing business with the State | 5% | • Right to Work / Prevailing Wage | 3% |
| • Liquor Permitting | 4% | | |

From a percentage basis, the most dramatic change from year-end 2011 figures is the appearance of issues regarding Inspection/Compliance. The overwhelming majority of those items consisted of various building code concerns, typically involving local code compliance inspections or requirements by local building authorities during business renovations.

Goal 4: Communicate CSI’s successes to the public

Description: Perception is reality, and the perception of Ohio’s regulatory climate influences the state’s ability to attract and retain jobs. As a result, it is important that the CSI Office effectively communicate its successes and its failures so that stakeholders have an accurate perception of Ohio’s regulations. Communication flowing in both directions is critical to the success of the initiative.

In 2012, the CSI Office made significant changes to its website (www.governor.ohio.gov/CSI) to facilitate more public input into the regulatory process. Rule packages under review in the CSI Office are updated online to include the Business Impact Analysis (BIA), the comment period time frame, CSI’s recommendation, the agency response, and a link to allow the public to comment on each package. Visitors to the website also have access to a fact sheet about CSI with updated CSI statistics, the CSI Office Strategic Plan, annual and semi-annual reports, and a blank BIA form. Another addition to the website in 2012 was the Small Business Advisory Council (SBAC) meeting schedule and minutes. The SBAC member list is also available along with pictures and contact information.

The CSI Office began compiling a “Week in Review” document, highlighting the office’s activities and comment period start and end dates. The review is posted on the website on Fridays and is promoted via social media outlets. CSI began utilizing social media in 2012 to engage users and regularly communicate with businesses and individuals impacted by regulations. The Office’s social media following has grown and has also led to a few Ohio boards joining social media to reach more stakeholders. In 2013, CSI will encourage more agencies, boards, and commissions to use social media as a means to notify stakeholders about important events in their rule development processes.

Measurables:

1. Social media statistics

The CSI Twitter account (@CSI_Ohio) and Facebook account (CommonSenseInitiative) were established in February 2012. At the end of 2012, CSI had earned 244 followers on Twitter and 93 “Likes” on Facebook. CSI sent out 75 tweets in 2012, 47 of which were tweeted between September and December. At that time, CSI began using Twitter to help inform the public about noteworthy rule submissions, comment period deadlines, and CSI recommendations.

In 2013, a goal of CSI is to build a larger following on social media to allow the public to get quick information on rule filings and other CSI related topics.

2. Number of speaking engagements to deliver the message about regulatory reform

In 2012, Lt. Governor Taylor spoke to public groups 59 times about the Common Sense Initiative and regulatory reform, including chambers of commerce, business roundtables, rotary clubs, and other groups. CSI staff spoke to an additional 37 similar public groups.

3. Number of people signed up to receive CSI updates

Through 2012, 442 people have signed up through the CSI website to receive updates.

4. Small Business Advisory Council

Executive Order 2011-01K authorized the Lt. Governor to establish a Small Business Advisory Council to offer the Lt. Governor the perspectives of the small business community and provide guidance into the mission and direction of the CSI Office. Senate Bill 2 codified the Small Business Advisory Council in ORC 107.63. The Council is to consist of nine members who are representative of small businesses and who represent diversity in size, industry, and geography.

Required to meet at least quarterly, the Small Business Advisory Council met five times in 2012. The Council heard from Cabinet directors and agency senior staff on major state issues that affect small businesses:

Workers' Compensation

The Council met with the Administrator/CEO of the Ohio Bureau of Workers' Compensation and the Chairwoman of the Ohio Industrial Commission. The Administrator described some recent improvements. Notable among the accomplishments were: 1) reducing operating costs by \$150 million; 2) reinstating the safety discount; 3) Grow Ohio, the group discount for new businesses; 4) establishing a prescription formulary for the first time; 5) improved fraud detection and analysis; and, 6) Destination: Excellence, which lets businesses choose which discounts fit them best.

The Chairwoman of the Ohio Industrial Commission provided an overview of the OIC and how it is separate from the Bureau of Workers' Compensation. Among the improvements made at the OIC, she cited a reduction in Commission expenses of 26 percent. She further noted that of the roughly 150,000 adjudications held by the Commission in 2011, only 122 were appealed to the judiciary, with the overwhelming majority – 73 percent – upheld by the court. She and the Council discussed ways the Commission could improve the experience of both businesses and claimants, such as reducing continuances (which increase both the direct and opportunity costs of all parties) and the Commission's Office of Quality Assurance, which will provide training for and review of the hearing officers to help ensure a consistently fair process.

Unemployment Insurance

Officials from the Ohio Department of Jobs and Family Services (ODJFS) met with the Council twice. The ODJFS Director, along with the Executive Director of the Unemployment Compensation Review Commission, met with the Council in October as a follow-up to discussions at the Council's April and May meetings with ODJFS senior staff.

The Director laid out the progress made in the overall employment market since January 2011 and the progress made by the agency in processing unemployment claims during that time. Specifically, the Ohio economy had gained a net 123,000 jobs, dropping unemployment to (at the October 11, 2012 meeting) under 7 percent from 9 percent; the trust fund arrearage had been decreased to \$1.8 billion from \$2.6 billion; the average wait time for an initial unemployment claim hearing had been reduced to less than 30 days from an average wait time of 124 days. The Council urged ODJFS to strengthen communication with the private sector to counteract the impact prior negative business experiences have on current private sector perceptions of the unemployment process, and offered itself as a resource to facilitate that communication.

Workforce Development

The Council met with Workforce Development staff from the Governor's Office to discuss the concerns small businesses have regarding Ohio's workforce. Issues raised included the relationship between unemployment benefit eligibility and job searching, and the flow of workforce development in the educational system from kindergarten through post-secondary.

Economic Development

Of particular concern to the Council is the perception among many small businesses that the various levels of government devote a disproportionate share of financial resources and attention on financing risky start-ups, enticing out-of-state businesses to relocate, and retaining large businesses from leaving the state. This, despite companies employing fewer than 20 persons typically creating more than half the net new jobs in a given year. The Council met with representatives from JobsOhio and the Ohio Development Services Agency to gain a better understanding of the State of Ohio's efforts to foster economic development (through programs like the State Small Business Credit Initiative and Incumbent Workforce Training Voucher Program), and to share the concerns that existing small businesses not be overlooked in development efforts.

Taxation

Senior Staff from the Department of Taxation met with the Council to discuss the Use Tax Amnesty program and the General Tax Amnesty program. In addition to covering the specifics of the programs and application processes, there was also general discussion between the Council and Taxation regarding the use tax, including members' personal experience with it when audited.

The Council also met with agency directors and senior staff from the Public Utilities Commission of Ohio, Office of Budget and Management, and Ohio Environmental Protection Agency to hear on topics varying from energy cost trends to state budgeting to regulatory compliance assistance.

5. Business Survey

A stated 2012 goal of the CSI Office was to survey business owners and business groups. In 2012, CSI held internal meetings with the Small Business Advisory Council and external meetings to develop the most effective and efficient way to survey business owners. At the end of 2012, the survey is an ongoing goal as CSI holds further discussions with the Council and outside groups.

Goal 5: Improve Ohio’s business regulatory climate to promote a true balance between public safety and economic

Description: As described in previous reports, this goal is important but may also be the most difficult to measure. Regulatory reform is but one piece of the state’s overall economic development efforts and by itself does not drive Ohio’s economic performance. However, there are performance indicators that can help identify whether CSI is having an impact, and the CSI Office will constantly seek to identify additional measures that can help judge the overall impact of its efforts. Understanding and tracking where Ohio stands, the role that regulations play in the perception of our state, and any impact of CSI on that perception are important measures to guide our operations.

Measurables:

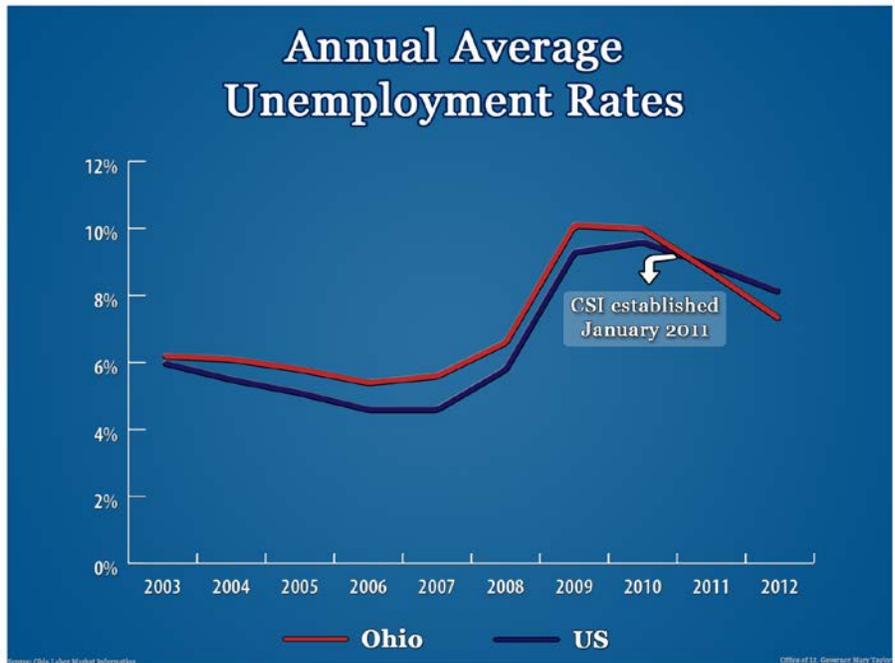
Unemployment Rate (Ohio): Net Decrease of 1.2% from December 2011 to December 2012

- December 2011 – 7.9%
 - December 2012 – 6.7%
- (Source: Ohio Labor Market Information – www.ohiolmi.com)

Unemployment Rate (National): Net Decrease of 0.7% from December 2011 to December 2012

- December 2011 – 8.5%
 - December 2012 – 7.8%
- (Source: Bureau of Labor Statistics)

Table 2



Sources: Ohio Labor Market Information and Bureau of Labor Statistics

Private Investment Projects

- 2010 – 304 projects totaling approximately \$4.8 billion and 16,341 jobs created
- 2011 – 468 projects totaling approximately \$6.5 billion and 28,213 jobs created (Most Recent Data)

Note: Qualifying projects involve minimum \$1 million investment, 20,000 square feet, or 50 jobs. (Source: Ohio Development Services Agency)

Forbes Best States for Business and Careers 2012²

- 2011 Ohio Overall – 38th
- 2012 Ohio Overall – 33rd
- 2011 Ohio Regulatory Climate – 10th
- 2012 Ohio Regulatory Climate – 16th¹

Site Selection Top State Business Climate Rankings

2011

- Overall – 9th
- Executive Survey Rank – 8th
- Competitiveness Rank – 10th
- 2010 New Plant Rank – 2nd

2012

- Overall – 2nd
- Executive Survey Rank – 9th
- Competitiveness Rank – 3rd
- 2011 New Plant Rank – 1st

² Forbes Magazine changed a significant component included in its Regulatory Climate variable by changing to the Mercatus “Freedom in the 50 States Index” Regulatory Policy component from the PRI Foundation “US Economic Freedom Index” Regulatory Sector component. A methodological breakdown of how Forbes weights the other components in its Regulatory Climate and combines them to produce its rankings in that variable (in any year) could not be found.

APPENDIX A: EXAMPLES OF AGENCY CSI INITIATIVES

Health Agencies (Aging, Developmental Disabilities, Health, Job & Family Services)

- As part of the CSI rule review process undertaken to implement legislative changes made to criminal background checks for long-term care providers in HB 487, these agencies determined that many providers are regulated by more than one of the four state agencies, and that harmonizing the statutes and rules so that one check of criminal records satisfied all four agencies would reduce unnecessary burdens. The direct and indirect costs of conducting criminal records checks are considerable. Consequently, stakeholders favored a frequency of five years for rechecking the records of staff, rather than three years. In its stakeholder outreach, Aging also learned that the cost of checking all employees' criminal records at once would be a greater administrative burden for businesses than phasing-in the checks. As a result, each of the four agencies now has phase-in language.

Ohio EPA

- SB 294 (OEPA Regulatory Reform Omnibus Bill) was passed in June 2012 and effective on Sept. 5, 2012. It removed sections of OEPA code that were duplicative and amended 12 sections to provide regulatory reform for businesses and implement common sense environmental reforms.
 - One example: the scope of Office of Compliance Assistance & Pollution Prevention (OCAPP) was expanded through legislation, increasing OCAPP outreach to all businesses from only small businesses. The bill also expanded confidentiality for inquiries to all program areas from only air issues. The confidentiality language strikes a balance between providing businesses additional assistance options while including safeguards to prevent companies with egregious compliance violations from using the law as a shield.
- Ohio EPA continues to improve the eBusiness web experience, providing stakeholders with the tools to optimize their online interaction with the Agency. Recent developments include piloting on-line payment of fees. Future projects include expanding the menu of fillable forms and applications for businesses for online submittal of reports and permit information, making it easier for our stakeholders to do business with the agency while also more efficiently utilizing Agency personnel resources.

Insurance

- The Ohio Department of Insurance reduced late fees for insurance agents who were late in renewing their licenses. The fee for agents/entities that allow their insurance licenses to expire was reduced from \$100 to \$50, and the fee for agents/entities that allow their insurance license to be suspended and wish to reinstate it was reduced from \$300 to \$100.
- The Department also streamlined online agent license renewal process to reduce the time it takes for agents to renew their licenses. Specifically, agents are no longer required to demonstrate to the Department that they have met their continuing education requirements before requesting a license renewal. This is significant because there was sometimes a delay

in having CE credits posted to the agent's transcript, delaying renewal. Now, the agent simply has to have completed the CE requirements prior to renewal.

Public Safety

- Private Investigator Security Guard Services, an office of ODPS, created a website with which 923 companies and over 22,000 private investigators/security guards may register and pay fees on-line.
- Ohio Homeland Security, with the support of CSI, successfully advocated for a change in state law which required contractors doing business with the state, state licensees, and candidates for public employment, among others, to submit a form declaring that they had not provided "material assistance" to a terrorist organization. While the statutes were enacted with good intentions, they were ineffective in identifying individuals or companies that posed a risk. It is estimated that ODPS was spending thousands of dollars per year fielding phone calls and handling appeals from applicants who inadvertently selected the wrong box on the form. Further, public safety applicants returning from military service found the declarations offensive. The repeal of this legislation resolved a number of issues, reduced time and effort for those seeking to do business with the state, and eliminated ineffective regulations.
- The Ohio Bureau of Motor Vehicles recognized that its auto dealer licensing process was not effective and not "business friendly." The Lean Ohio team of the Ohio Department of Administrative Services agreed to assist the BMV in streamlining the licensing process. By employing "Kaizen" principles, the team was able to reduce licensing processing time by 83 percent. For a large auto dealer, this translates into an estimated \$300,000 in profits that otherwise would have gone unearned. The BMV anticipates annual savings of over \$62,000 as well.
- On June 25, 2012, as the result of HB 114, the BMV started accepting International Registration Plan (IRP) vehicle registration renewals on-line. This allows companies to renew the registration of their interstate commercial vehicles without having to visit an IRP Registration Office. This results in significant time savings each year. There have been 1,250 transactions processed totaling \$816,203 since this system was implemented. The International Registration Plan is a program that consists of 59 jurisdiction and allows U.S. and Canadian truck and bus operators to pay required highway and vehicle license taxes for multiple jurisdictions at one time when each vehicle is registered. This allows transportation companies to operate across different states and provinces seamlessly and more efficiently.

Taxation

- In 2012, Tax Commissioner Testa, together with Governor Kasich, reversed an anti-business practice regarding overpayments on business taxpayer accounts. Previously the Department of Taxation (Taxation) did not notify a business taxpayer of overpayments – even if Taxation was aware that the overpayment existed on the account. Instead, the business needed to discover the error themselves and request the amount from Taxation before a statutorily timeframe expired for the refund. Beginning with the commercial activity tax, Taxation implemented this new policy and began notifying about 3,500 taxpayers who may have overpaid by a total of as much as \$13.7 million. Taxation continues to work to raise the

visibility and understanding of the tax refund procedures and will notify taxpayers who appear to have a refund due.

Workers' Compensation

- Created Destination: Excellence, a new program that rewards employers for their efforts to create safer work places and transition injured works back into their job. More than half of all Ohio employers are enrolled in at least one aspect of Destination: Excellence which will help the business community save an estimated \$28-41 million.
- Realigned agency service to Ohio employers through the Department of Strategic Direction and new regional business development managers who will troubleshoot concerns and promote programs that encourage safety and business growth.