



# Reeling in the red tape

## Ohio's CSI program showing signs of success in efforts to bring common sense to state regulations and improve business climate

by Ohio Lt. Gov. Mary Taylor

In 2010, as candidates for governor and lieutenant governor, John Kasich and I traveled throughout Ohio talking to business owners about what our state needed to do to change the trajectory of its economy and create a more business-friendly environment.

We believed that virtually all of the major policy challenges facing Ohio, including health care, education, the budget and welfare, would be easier to solve if more Ohioans had good, stable jobs. So we wanted to design our policy agenda around that philosophy.

During these conversations, we were struck by a common theme: Job creators said they were being suffocated by regulations. From environmental regulations to unnecessary paperwork and inflexible deadlines, there was a sense that government was making it too difficult for businesses to succeed.

Never in these conversations did we hear that regulations to protect the environment, injured workers, children and others were not important. Instead, business owners were nearly unanimous in the belief that the state did not view them as partners in its success, and the state did not understand that regulations created in Columbus have a real-world impact on people across Ohio.

### Common sense a guiding principle

From these discussions came an idea to create a mechanism for instilling common sense into our state's process for regulating business. To give it an identity, we branded it the Common Sense Initiative, or CSI.

In January 2011, Gov. Kasich used his first executive order to officially create CSI and place it under my direction as lieutenant governor. We thought the symbolism and substance of these actions sent a powerful message to state agencies and businesses alike that this administration was serious about regulatory reform and making Ohio a business-friendly state once again.

CSI is based on four simple principles that guide its actions:

- Regulations should facilitate economic growth, not get in the way.
- Regulations, and the agencies that create them, should be transparent and responsive.
- Compliance should be as easy and inexpensive as possible.
- Regulations should be fair and consistently applied.

CSI has been designed to operate along two tracks. The first track is focused on the administrative rules adopted by state agencies. Since Jan. 1, 2012, all rules that impact business must be submitted to the CSI office for review, along with a Business Impact Analysis (BIA). The BIA requires the agency to explain why the regulation is necessary, which business stakeholders were involved in developing the regulation, and the nature and degree of the impact. Ultimately, the agency must show that the regulation justifies the impact to business.

The proposed rules and analyses are submitted to both CSI and stakeholders who have asked to be

notified. The stakeholders are given an opportunity to comment to the agency and CSI. The CSI office then recommends that the agency either move forward with the rules, make changes or, if the agency hasn't justified the need for the rules, go back to the drawing board.

For example, updates were long overdue for Ohio's residential building code. The code had historically been an area of tension between home builders and regulators.

CSI brought the two sides together to work through disagreements, identify the purpose and

costs of new provisions, and develop a new code that supports an active residential construction industry.

According to the industry, the changes made during the CSI process reduced the cost to build an average new home by at least \$2,000, compared with the original proposal. That translates to more than \$27 million industry-wide, without reducing the protections provided by the code.

### More thought, fewer rules

Through the first year of this rule-review process, the results have included some surprises. We reviewed 166 rule packages, consisting of nearly 1,400 total rules, rejected only a handful and made 27 recommendations for rule changes. We worked closely with agencies to encourage CSI values and minimize business impacts, resulting in rule packages with better justifications and often changes to the rules themselves.

The most significant number from 2012, however, came from the legislative committee that oversees rule-making. It reported that agencies filed 44 percent fewer rules than the historical average. Along with the anecdotal evidence we heard from agencies and businesses, this statistic showed that agencies were becoming aware of the need to ensure that regulations are justified before moving forward. This new mindset is leading to more-effective and less-burdensome regulations.

The second CSI track is intended to ensure that we are focused on those regulations that have the most direct impact on Ohio job creators. We created as many communication channels as possible — including phone, Internet, e-mail, social media and direct outreach — to hear from businesses about their regulatory obstacles. This direct communication allows us to focus on the policies and individual problems that most affect real businesses on a day-to-day basis.

In our first month in office, I received a letter from Mayor Jim Smith of Avon, Ohio. Mayor Smith

had been fighting for years to free a local food-manufacturing company from red tape that required the company to purchase alcohol it needed for its recipes at retail prices and in retail containers.

To demonstrate how this requirement affected the company's competitiveness, one recipe called for 140,000 pounds of Merlot wine — which the company had to purchase, uncork, sterilize and pour ... one bottle at a time! The extra cost from this requirement virtually guaranteed that as its parent company looked to expand, Ohio would not be in the running.

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Immediately upon receiving Mayor Smith's letter, CSI worked with Ohio's Liquor Control Division and Avon's state senator to identify a legislative solution. We introduced the legislation and passed it through the General Assembly, and in June 2012, the company announced a \$5 million expansion creating new Ohio jobs.

Other CSI successes include assisting an asphalt company as it fought duplicative and expensive emissions testing; helping a small business avoid a six-month delay in receiving a \$65,000 refund for overpaid sales tax; and helping local pharmacies navigate the Medicaid system to open new locations in underserved areas.

There is still much work to do, but the results so far have been encouraging. Through a number of efforts, including CSI, Ohio ranked fifth nationally and first in the Midwest in job creation in 2012. We were ranked by a national publication as having the second-best business climate in the nation.

Gov. Kasich and I are hearing from businesses that Ohio is moving in the right direction, strengthening and enhancing a new business-friendly environment. We're committed to instilling "common sense" practices to support job creation, while at the same time protecting and serving all Ohio citizens. ★

Ohio Lt. Gov. Mary Taylor was elected in 2010 after serving as a state representative and later as state auditor.

### Submissions welcome

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