



2013 Annual Report

January 31, 2014

Lt. Governor Mary Taylor

77 S. High Street, 30th Floor

Columbus, OH 43215

CSIOhio@governor.ohio.gov

www.governor.ohio.gov/CSI



MARY TAYLOR
LT. GOVERNOR
STATE OF OHIO

Dear Ohioans:

I am pleased to share with you the 2013 Annual Report for Ohio's Common Sense Initiative (CSI). In 2011, Governor Kasich created CSI and placed it under my leadership, and since that time we have been moving forward to streamline Ohio's business regulations and help make Ohio more business-friendly.



This report highlights our efforts in 2013 to build on the accomplishments of CSI's first two years, and is tied to the goals originally established in our 2011 Strategic Plan. Since 2012, when all proposed rules that impact business were required to go through a CSI analysis and review, business rule filings have decreased by 25 percent over the historical average. As importantly, agencies now understand that before they can propose business rules, they must work with the impacted business stakeholders and articulate how the rules actually protect the public. As a result, we are creating more effective regulations while also reducing the unnecessary burdens to Ohio's job creators.

That said, I am most proud of the work we do on a day-to-day basis with Ohio businesses running into burdensome red tape. The "success stories" in this report represent real Ohio businesses who have contacted the CSI Office and received help on issues big and small. It is my hope that these stories will help the public understand how Ohio's business climate is changing.

Just as we are pushing state agencies to treat regulation as a partnership between the state and the businesses being regulated, we are striving to make CSI a partnership between my office and our regulatory agencies. I am grateful for the cooperation of our Cabinet Directors and Licensing Boards and Commissions, and for the work that many of them are doing to incorporate the CSI principles into their agency cultures. I appreciate the leadership of Governor Kasich in prioritizing regulatory reform, and the leadership of our nine Small Business Advisory Council members in keeping the CSI Office focused on the issues that actually matter to the business community.

There is much work yet to do, but the future of Ohio is bright and I am proud to share the work of the Common Sense Initiative with you through this report.

Sincerely,

Mary Taylor
Lieutenant Governor

Executive Summary

Governor John Kasich named Lt. Governor Mary Taylor to lead the Common Sense Initiative (CSI) Office, which was created in 2011 to independently evaluate the economic impact of state agency regulations on Ohio businesses and to reduce that impact wherever possible. In short, the goal of the initiative is to achieve the appropriate balance between the public protections regulations offer and the adverse impact those regulations can have on the ability of Ohio businesses to start up, grow, and create jobs.

In March of 2011, Lt. Governor Taylor developed a strategic plan to guide the operations of the CSI Office. The work of the 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.

The CSI process has been designed to operate along two tracks. First, beginning in 2012, all state agency rules that impact businesses must undergo an analysis to determine that the purpose of the rules justifies the impact. Second, the CSI Office has been empowered to serve an ombuds function to help individual businesses or groups of businesses resolve regulatory issues with state agencies. This second track is intended to ensure that the work of the CSI Office is focused on issues that actually impact businesses on a day-to-day basis. The strategic plan outlined five goals to serve as the basis for ongoing reporting by the CSI Office, and 2013 measurables for each goal are provided in this report.

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

The CSI rule review process has had a significant impact on the state's rulemaking process since it was implemented in 2012. In the first two years of these reviews, business-impacting rule filings among state agencies were down by 25 percent compared with the historical average, indicating that agencies understood and considered the CSI process and the need to justify their regulations before making decisions to propose rules. The CSI process is not preventing agencies from moving forward with necessary regulations, but the numbers indicate that agencies are not proposing rules that they may have trouble justifying through the CSI analysis. Moreover, the number of business rules being amended or rescinded by agencies increased by approximately 23 percent from 2012 to 2013.

When rules are submitted to the CSI Office for review, the process often involves significant back-and-forth with the agencies to better understand what they are trying to accomplish, how they determined the impact to businesses, and why their proposals are justified. Often, this process will result in changes to the rules themselves or to the analysis used to justify the rules, or to formal recommendations from the CSI Office for changes before the agency proceeds with the rulemaking process. Out of 277 rule packages reviewed in 2013, the CSI Office made 22 recommendations for changes and required agencies to submit revised analyses 101 times.

Several rule packages were voluntarily tabled by the agency (either permanently or temporarily), and in two cases the CSI Office recommended that the rule packages be withdrawn based on questions raised during the CSI review. Importantly, through two years of the rule review process, no agencies have refused to adopt CSI recommendations, nor has the Joint Committee on Agency Rule Review (the legislative committee charged with oversight of agency rulemaking) moved to invalidate a rule approved by the CSI Office.

Goal 2: Impact a significant number of regulations based on the Vision Statement for the CSI Office

Unlike the rule review track in Goal 1, this goal is measured largely through “success stories” which demonstrate the ability of the CSI Office to intervene and get results for businesses facing real world regulatory obstacles. The stories outlined in this report describe CSI efforts to assist nonprofit organizations that provide nutritious meals and snacks to children, a hospital’s efforts to navigate licensing regulations in order to recruit qualified nurses from the military, and a fertilizer company’s efforts to expand and secure a building permit approved in time to avoid the significant cost increase from off-season construction.

In 2013, the CSI Office received 169 suggestions and requests for assistance. Liquor issues constituted the largest category of suggestions, with unemployment compensation and medical equipment licensing also generating multiple requests.

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

Ultimately, the goal of the Common Sense Initiative is for state agencies to view their relationships with their business stakeholders as partnerships. As a result, this goal seeks to measure the degree to which agencies themselves are adopting the CSI principles. Metrics focus on both agency rulemaking and their independent initiatives to fulfill their regulatory duties while being business-friendly at the same time. **Appendix A** outlines a number of initiatives agencies have undertaken on their own to achieve these goals.

Goal 4: Communicate CSI’s successes to the public

Through social media, direct outreach, and working with the Small Business Advisory Council, the CSI Office seeks to communicate with Ohioans and Ohio businesses in as many ways as possible. By communicating successes, this goal is focused on establishing credibility so Ohio’s changing business climate will continue to be recognized by Ohio job creators. In 2013, the CSI Office compiled the following key metrics on its communication efforts:

- 417 Twitter followers and 217 Facebook “Likes”
- Nearly 140 speaking engagements to business-related groups
- 455 people signed up through the CSI web site to receive updates
- 5 meetings of the Small Business Advisory Council, including the Council’s first regional meeting in Lima, OH

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

Reporting on this goal relies on as many statewide and national metrics as possible to evaluate the state of Ohio’s economy and business climate. Recognizing that the Common Sense Initiative is just one aspect of the state’s efforts in this area, we nonetheless believe that the efforts of the initiative must always be directed toward the overall goal of a regulatory environment that promotes economic development and contributes to the state’s job creation efforts. There is no single metric that provides a complete picture of a state’s economy or comparison with other states, but this report attempts to present a composite picture of where Ohio stands in this area. Most national benchmarks comparing state business climates show Ohio’s as improving, although the rankings underscore the fact that there is still much work to do.

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

Measurables:

	2012	2013
1. <u>Number of regulations reviewed</u>	1,519	1,543
2. <u>Number of rule packages reviewed</u>	171	277
3. <u>Number of CSI recommendations issued</u>	27	22
• Number of rule packages rejected by CSI	3	2
• Number of CSI rule packages tabled ¹	N/A	7
4. <u>Number of revised Business Impact Analyses received</u>	60	101
5. <u>CSI review times</u> (# of rule packages) ²		
• 1-30 days	N/A	79
• 30-60 days		87
• 61+ days		111
6. <u>Percentage of recommendations implemented</u>	100%	100%
7. <u>Number of motions to invalidate by JCARR</u>	0	0
8. <u>Number of comments received through the electronic notification system</u>	309	1,061 ³
9. <u>Number of business-impacting rules rescinded or amended</u>	779	911
• Rescinded	86	49
• Amended	693	862

Analysis: Effective January 1, 2012, all proposed rules that impact business (new, amended, rescinded, and those being reviewed under Ohio’s five-year review requirement) are submitted to the CSI review process. In 2013, CSI reviewed 1,543 rules which were presented in 277 rule

¹ This measure tracks rule packages that after being submitted to CSI for review, were withdrawn or tabled due to questions or challenges from CSI staff. In some cases, the rules are permanently withdrawn, while in other cases they are put on hold while the agency reengages stakeholders and/or revises its rules or analysis to better justify the impact. This statistic was not tracked in 2012.

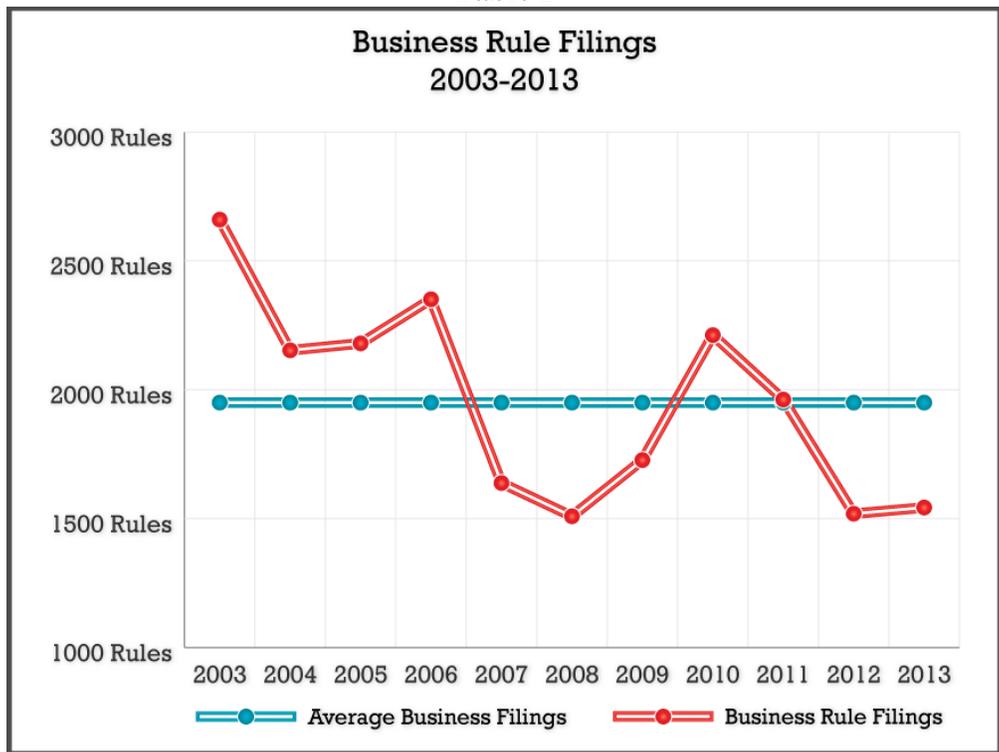
² In 2012, CSI review times were measured as an average. Recognizing that some rule packages require greater attention and time to review, in 2013 we began measuring review times in categories to better evaluate office operations.

³ More than 700 comments were submitted for a single rule package establishing regulations for commercial dog breeders. Most comments were form letters submitted as a result of an organized effort.

packages. These business-impacting rules represented approximately 40 percent of all rules filed with the Joint Committee on Agency Rule Review (JCARR).

In 2012, based on information provided by the Legislative Service Commission (LSC) and JCARR, state agencies filed 25 percent fewer business-impacting rules compared with the historical average, and that number remained almost identical in 2013 (see **Table 1**).⁴ The 2013 business rule number is notable because both the CSI Office and JCARR emphasized reducing a backlog in agency five-year rule reviews in 2013, which inherently drives more rule filings but also ensures that business regulations are subject to the CSI analysis. This emphasis on five-year reviews will continue in 2014, and could lead to an artificial increase in rule filings in 2014.

Table 1

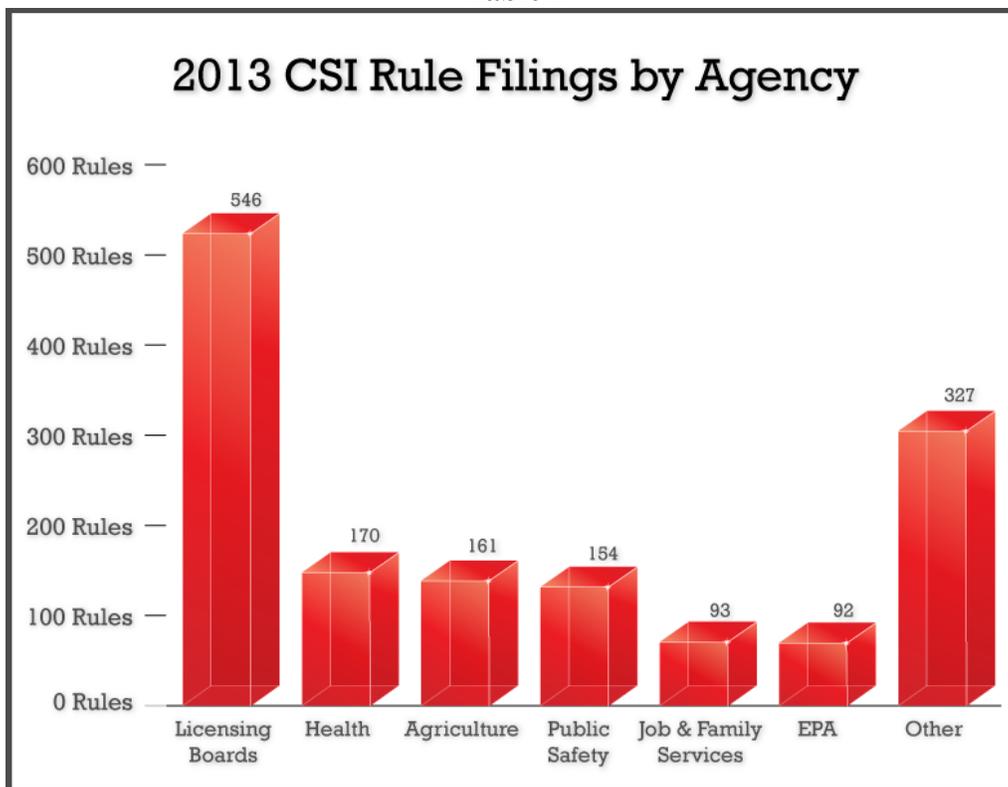


Sources: Ohio Legislative Service Commission, Joint Committee on Agency Rule Review

Table 2 highlights the rule reviews by agency. More than one-third of the rules reviewed by CSI in 2013 came from licensing boards and commissions.

⁴ Prior to the CSI rule review process, agencies were required to identify whether proposed rules affected small businesses at the time they filed rules with JCARR. Rules with this small business designation were used to calculate the historical average, and then compared with the number of rules reviewed by the CSI Office in 2012 and 2013.

Table 2



Within Goal 1, 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). More than one-third of the packages submitted to CSI required the agencies to revise their BIAs, and seven rule packages (comprising 83 individual rules) were tabled during the CSI review process due to concerns raised by CSI and/or stakeholders.⁵ In two cases (comprising 14 individual rules), CSI recommended that the agency withdraw the rules. These numbers reflect the fact that the CSI process involves significant work with agencies to improve rules and agency justifications. Concerns about rules must be resolved by either changing the rules or better justifying their impact before they can move forward with the JCARR rule filing process.

In addition to improvements in the quality of the rules through the back-and-forth of the CSI process, CSI continues to track the outcome of rules after they complete their CSI reviews. To date, all recommendations from the CSI process have been implemented by the agencies, and

⁵ This measure tracks rule packages that after being submitted to CSI for review, were withdrawn or tabled due to questions or challenges from CSI staff. In some cases, the rules are permanently withdrawn, while in other cases they are put on hold while the agency reengages stakeholders and/or revises its rules or analysis to better justify their impact.

JCARR has not attempted to invalidate a business-impacting rule that the CSI analysis determined was justified.

For the 277 total rule packages reviewed during this time period, 1,061 electronic comments were submitted by stakeholders. Although this number is more than three times the number of comments submitted in 2012, 704 of those comments were submitted for a single rule package (new Ohio Department of Agriculture regulations addressing commercial dog breeders). Without this statistical outlier, the number of comments submitted has remained steady. Increasing stakeholder participation in the rule review process continues to be an emphasis of the CSI Office. We hope this number will increase over time as more stakeholders become aware of CSI and take advantage of the opportunity to participate through the Ohio Business Gateway (www.business.ohio.gov/reform). In 2014, the CSI Office expects to integrate its electronic notification system with JCARR's newly-implemented Rule Watch Ohio system (www.rulewatchohio.gov), which should help increase the number of businesses aware of and participating in the CSI review process and rule development overall.

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.

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. Goal 2 describes the second track which asks businesses to provide input 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 time has passed, the volume of contacts coming in through that specific channel has leveled off. In 2013, 105 suggestions were received through the CSI website and email address, with additional suggestions and requests having been received via direct outreach to businesses by the Lt. Governor, staff, and the Small Business Advisory Council. The total number of suggestions and requests for assistance through these various avenues totaled 169 in 2013. While some leveling off is expected, the number highlights the ongoing challenge of raising awareness of the CSI Office's role and utilizing all available avenues – from face-to-face communication to social media – to identify issues facing businesses.

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

2013 CSI Initiatives

Children’s Summer Meals Programs – The Ohio Children’s Hunger Alliance (CHA) contacted CSI for assistance with two related issues: 1) to allow summer meal programs to deliver meals and have the students eat on school buses that travel to multiple locations, and 2) to eliminate the requirement that CHA programs that receive funding through the Department of Education (ODE) be regulated like restaurants, including licensure and commercial equipment requirements. CSI worked with a number of stakeholders and regulatory entities – including the Ohio Retail Food Safety Advisory Council – to ensure that regulations focused on the safety of food being provided to children, and to eliminate regulations which did not meet that criteria. In the case of eating on school buses, CSI was able to obtain an assurance from ODE that the practice was allowed as long as certain conditions were met. Regarding licensure, CSI worked with the Departments of Health and Agriculture to secure an interpretation from the Retail Food Safety Advisory Council that the types of programs operated by CHA were not subject to the restaurant-like licensure requirements. As a result, Children’s Hunger Alliance and other organizations are able to continue to ensure access to healthy meals for school-age children in need, and to pursue innovative programs for delivering these meals.

Licensing for Veteran Medical Personnel – CSI was contacted by the Cleveland Clinic for assistance in hiring military veteran critical care nurses. The Clinic expressed an immediate need for 100 nurses, but could not hire qualified out-of-state nurses, including those currently serving in the military, and have them begin working in their positions right away because of licensure issues. This licensure gap created significant problems in the efforts to recruit these qualified veterans to Ohio’s workforce. CSI facilitated conversations between the Ohio State Nursing Board and the Cleveland Clinic. Through those conversations, CSI was able to clarify the needs of the Clinic and the Nursing Board was able to identify a temporary licensure provision already at its disposal to address this gap and enable the Clinic (and other hospitals looking at similar military recruitment programs) to immediately put these veterans to work in in their appropriate positions. As a result, the Cleveland Clinic has hired dozens of qualified military veteran nurses utilizing the temporary license provision.

Adoption Agency Audits – A small private adoption agency in Northeast Ohio approached two Small Business Advisory Council members with concerns about the cost of audits required under statute. In this particular instance, the agency – which receives no public financial support – noted that the cost of the type of audit specified in law would be far more than the amount it received annually in private donations. The Council members brought the matter to the attention of CSI, which delved further into the matter. CSI and the Ohio Department of Job and Family Services identified that the type of audit required in statute was excessive for the type of business being audited, so they worked together to amend the statute in the budget bill (House Bill 59) to provide for an audit with a more appropriate scope (and far lower cost) for adoption agencies.

Liquor Permit Transfer – A western Ohio restaurant owner contacted a Small Business Advisory Council member to share the difficulties he was experiencing in transferring a liquor license from a restaurant he already owned to another restaurant he planned to open. Specifically, he and

his fellow small investors were asked to provide original documentation that seemed excessive to the owner and potentially created an unfair playing field between small, locally-owned businesses and larger national chain restaurants. CSI contacted the Division of Liquor Control which reviewed the owner's pending liquor license transfer and waived the financial verification, allowing for a quicker and easier transfer.

Developmentally Disabled Facility Licensing – CSI was contacted by the owner of two separate developmentally disabled residential facilities in Cuyahoga County. The owner was in the process of moving and consolidating the residents of the two facilities into a single, new facility, but was experiencing delays in the online licensing system due to miscommunication between the two state agencies involved in approving the license. After being contacted by the owner, CSI intervened to resolve the miscommunication, and the owner's license was processed the same day.

Unemployment Compensation Compliance Penalties – A Cincinnati-area business owner contacted CSI regarding notifications received from the Ohio Department of Job and Family Services about an increase in the Unemployment Insurance premium and forfeitures and interest as a result of delinquent reporting. Based on the specific facts of the case, the premium rate remained unchanged, but based on questions raised by the CSI Office about the effectiveness of the notification to the business, the Department did agree to waive and refund the forfeitures and interest that the owner had already paid.

Restaurant Expansion/Building Code – In 2012, CSI helped a restaurant in Columbiana County navigate building code processes to expand into an adjoining building, ultimately doubling its space and hiring four additional employees. As a result of a media story on this project, CSI was contacted by another Columbiana County restaurant owner also experiencing building code issues. In this case, the restaurant was in the process of building a patio to provide more options in serving its customers, but was being required to submit architectural drawings that would cost thousands of dollars and jeopardize the expansion project. Again, CSI worked with the Department of Commerce, and with safety being the primary concern, the Department and local building officials determined that a waiver was appropriate to avoid unnecessary costs for the business. As a result, the restaurant was able to complete its expansion without incurring costly delays or expenses.

Ohio EPA Groundwater Testing – CSI worked with a company that creates wall-covering materials using customized polymer technologies after learning of an ongoing discussion stemming from Ohio EPA groundwater testing at the company's plant in Washington County in 1983. These 30-year-old test results were creating a public air of uncertainty around the company and impacting its ability to secure financing to support its operations despite a lack of any evidence of health threats to the public. After numerous stakeholder meetings throughout 2012, and with CSI serving as a mediator, the parties were able to reach a mutual agreement that recognized the presence of contamination on the plant's property and the need to maintain an ongoing regimen of testing. Ohio EPA was ultimately willing to state in writing that as long as the testing continued to show no health risks, the company would not be subject to enforcement

action. This letter from the Ohio EPA provided the stability and certainty the company needed to ensure its ability to employ approximately 400 Ohioans.

Environmental Emission Testing – The CSI Office was contacted by an environmental consultant seeking assistance with a draft permit from the Ohio EPA. The CSI Office asked the Agency to explain its rationale for requiring the company to use certain testing methods for detecting air pollution that were particularly difficult and expensive, and not necessarily the best methodology for asphalt plants. In addition, this testing methodology had not been required of other similar facilities. On September 3, 2013, the Ohio EPA issued a revised final permit to the company with the more appropriate level of testing. The Ohio EPA also developed guidance to be shared with permit writers and the asphalt industry to avoid similar confusion on future permits.

Certificate of Need – A nursing home facility in Northeast Ohio contacted the CSI Office with concerns about the costs of its certificate of need application. The facility was required to submit a new certificate of need in order to reduce the number of licensed beds in its facility. According to the facility, the potential costs associated with applying were \$20,000-25,000. CSI facilitated conversations between the Ohio Department of Health and the nursing facility and assisted in developing a solution to minimize costs. The facility saved thousands in legal fees and administrative costs by working with ODH through the CSI Office’s direction. CSI continues to work with ODH to find a permanent legislative solution to this issue.

Senior Facilities Programs – The Ohio Department of Aging was reviewing a set of six rules establishing the requirements for senior facilities. The Ohio General Assembly has not appropriated revenue to the Senior Facilities Program since 2001, which has ushered this program into a period of dormancy. However, the program still exists in the Ohio Revised Code, and the Department is still required to adopt rules for the program. In reviewing the rules, the CSI Office suggested consolidating the rules into a single rule due to the dormancy and focusing only on those elements required by statute. Working with the CSI office, ODA drafted a single rule that provides a framework for the program while eliminating needless and confusing regulations.

Utility Vehicle Definitions – Under Ohio law, a business that sells off-road utility vehicles (for use in agriculture, forestry, or construction) does not have to be licensed as an auto dealer, while a business that sells all-purpose vehicles (recreational use) is required to be licensed. The two categories of vehicles are very similar, and often may be used for both utility and recreational purposes. A retail chain selling agricultural equipment was informed that because its utility vehicles resembled recreational vehicles, it would have to either stop selling the vehicles or get licensed as an auto dealer. The company estimated that the costs associated with licensure – including costs for construction and staffing of a repair facility – could exceed \$70,000 per store. The CSI Office worked with the Department of Public Safety and the Governor’s Office to understand the intent of the statute. As a result, the business was not required to be licensed and the CSI Office continues to work with interested parties to revise the statute and ensure that licensure requirements are aligned with an agreed-upon public purpose.

Vocational Services – A Northeast Ohio company that provides vocational counseling and employment services under contract with the state contacted the CSI Office seeking assistance with billing issues that threatened the company’s ability to survive. A number of invoiced payments were delayed due to a breakdown in communication with the state. CSI helped facilitate discussions between the state and the company to see that legitimate services were paid for and any questions and concerns were resolved to ensure compliance with state and federal law. Additionally, the state provided assistance with understanding better billing practices and developed a strategy to effectively communicate any future issues with the company.

Agribusiness Building Construction Permit/Building Code – A fertilizer company looking to undertake a \$1.5 million expansion of its existing business contacted CSI to express concerns about the turn-around time involved for reviewing and approving its construction plans. The business was concerned that the delays would push construction into the winter season with significantly higher construction contractor rates. CSI contacted the Division of Industrial Compliance and learned that some of the review time had been driven by the submittal of incomplete information. Once assured that the Division had all the information it needed to perform its duties, it expeditiously reviewed the plans, allowing the business to proceed with the expansion.

Measurables:

1. Number of regulatory suggestions received through CSI contacts

In 2013, the CSI Office received 169 suggestions and requests for assistance either directly through the CSI web site or the CSIOhio@governor.ohio.gov email address, or indirectly via referral. Liquor and alcohol issues constituted the largest segment at 12 percent. Matters involving various unemployment compensation and medical equipment licensing were the next largest components at 10 percent and 8 percent, respectively. 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 from CSI initiatives in 2013 (the stories are explained in more detail above):

- Agribusiness Building Construction Permit/Building Code – By having its plans approved prior to the onset of winter, the fertilizer business owner estimated that it avoided \$250,000 in weather-related construction cost over-runs.
- Vocational Services – After the CSI Office intervened, the vocational services company received payments of over \$100,000 that had been invoiced but unpaid due to unresolved questions over the services provided.

- Utility Vehicle Definitions – The retail company estimated that the costs associated with licensure could have exceeded \$70,000 per store.
- Environmental Emission Testing – Without the changes, the company would have spent up to \$20,000 more for testing and retesting as prescribed in the original draft permit.

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 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 manage 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

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 2013, the following are some key statistics from the rule review process demonstrating agency compliance:

- CSI Recommendations: 22
- Rule Packages Rejected by CSI: 2
- Rule Packages Tabled: 7
- Revised Business Impact Analyses: 101

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. More than one-third of the rule packages submitted in 2012 needed revised BIAs, and that number has not changed appreciably in 2013, demonstrating 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 helps 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 2013, the following subject matters comprised the highest percentage of CSI contacts:

- | | | | |
|-------------------------------|-----|-------------------------|----|
| • Liquor Permitting | 12% | • Forms/Paperwork | 5% |
| • Unemployment Compensation | 10% | • Inspection/Compliance | 4% |
| • Medical Equipment Licensing | 8% | • Workforce Development | 2% |
| • Taxes | 6% | | |

From a percentage basis, the biggest change from year-end 2012 figures is the surge in contacts involving Liquor Permitting and Unemployment Compensation and the appearance of issues regarding Medical Equipment Licensing. The appearance of Medical Equipment Licensing resulted from enforcement of statutory licensing requirements for sale of a specific device that had previously gone unnoticed. The increase in Liquor Permitting contacts was largely driven by a grassroots letter writing effort among craft beer enthusiasts to lower the permitting fee for microbreweries.

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.

The CSI website (www.governor.ohio.gov/CSI) is intended 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 statistics, the CSI Office Strategic Plan, annual and semi-annual reports, a blank BIA form, and information about the Small Business Advisory Council.

The CSI Office compiles a “Week in Review” document, highlighting the office’s activities and information about rule packages under review. The Week in Review is posted on the website on Fridays and is promoted via social media. CSI utilizes social media to engage users and regularly communicate with businesses and individuals impacted by regulations. Despite significant outreach and positive reactions to CSI, several of the measurables in this report – such as public comments submitted for rules and submission of business concerns to the office – highlight the need for ongoing focus on communication efforts.

Measurables:

1. Social media statistics

The CSI Office maintains both a Twitter account (@CSI_Ohio) and a Facebook account (CommonSenseInitiative). At the end of 2013, CSI had earned 417 followers on Twitter (up from 244 at the end of 2012) and 217 “Likes” on Facebook (up from 93). CSI sent out 82 tweets in 2013. CSI has used social media to help inform the public about noteworthy rule submissions, comment period deadlines, and CSI recommendations; as well as to share the Week in Review document and other information related to the operations of the office.

In 2014, a goal of CSI is to continue building a following on social media to allow the public to get quick information on rule filings and other CSI related topics, and to utilize these platforms in more creative ways to stimulate discussion about relevant issues and generate submission of regulations that impact businesses.

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

In 2013, Lt. Governor Taylor spoke to public groups 29 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 110 similar public groups.

3. Number of people signed up to receive CSI updates

Through 2013, 455 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. The Council roster is provided in **Appendix B**. The Small Business Advisory Council is codified in Ohio Revised Code section 107.63 and is required to meet at least quarterly. It met five times in 2013, including the first meeting outside the capital when the Council met in Lima on August 29, 2013.

At its 2013 meetings, in addition to specific CSI-related information the Council heard from Cabinet directors and agency senior staff on major state issues that affect small businesses:

Hearing Directly from Local Businesses

As part of its efforts to facilitate improved communication between the business community and the State, the Lt. Governor and the Council held one of the meetings in Lima, hosting a business roundtable to hear directly from local businesses. Lt. Governor Mary Taylor underscored the fundamental importance of regulatory reform in helping improve Ohio's business climate. With respect to the strategic vision and mission of CSI, she emphasized that a priority of a strong regulatory system should facilitate compliance, with bad actors being punished and good-faith efforts being recognized as such. CSI Staff provided the audience attendees with an overview of the Common Sense Initiative processes, followed by the Council members providing their perspectives on the operation of the Council and its role in facilitating economic growth through streamlined regulation. Audience attendees were invited by the Council to share their suggestions and/or concerns. A number of specific issues were raised by the audience members and discussed among the Lt. Governor, Council, and CSI staff.

Lean Ohio and Six Sigma Activities to Improve State Processes

The Director and senior staff of Lean Ohio met with the Council to discuss the office and share some of its results. The Director noted that since being established in 2011, Lean Ohio had overseen 130 process improvement projects, including 40 Kaizen events that reduced process times by an average of over 50% in the impacted areas. Based on the wage work-hours saved by streamlining processes, he estimated that Lean Ohio had resulted in \$30M in savings for the State, representing a 40:1 return on investment. One example referenced was changes to the tax appeals process that reduced the average cost to the State of an appeal to \$7 from \$105. Another was assistance provided to the Attorney General's Office that helped reduce the time to get crime scene DNA test results to 21 days from 4 months. The Director stated that the goal is to eventually have a Lean Ohio liaison at each executive agency to help institutionalize Lean thinking and techniques in the daily course of agency business.

Economic Development Legislative Efforts

The Council met with the House Majority Floor Leader and the Ranking Minority Member of the House Economic Development and Regulatory Reform Committee. The legislators provided overviews of legislative priorities, including workforce development, unemployment compensation, and education. The Council engaged in a robust discussion and offered the perspectives of the small business community on these issues.

State Budget

The Council heard from senior staff at the Office of Budget and Management (“OBM”) on the philosophy guiding the development of the Administration’s biennial budget proposal. Specifically, that: 1) the budget is a means to an end, specifically economic development and growth; 2) the budget must be structurally stable; 3) the budget is a vehicle to reform and restructure government to foster this; and, 4) the budget provides a regular review of agency expenditure of tax-payer money.

Municipal Tax Streamlining

The Council heard from the Ohio Society of CPAs, NFIB-Ohio, Ohio Chamber of Commerce, and Ohio Municipal League on legislation (House Bill 5) that would provide greater uniformity governing income taxes collected by municipalities. The business-related organizations highlighted the sheer number of local taxing authorities, variations on definitions, differing tax treatments of income, and filing deadlines. The municipal-related group shared its concerns regarding loss of local control and the potential for negative revenue impacts. Individual Council members decried the cost of compliance in comparison to actual tax liabilities, and noted municipalities as a group being unable to quantify potential negative financial impacts, which made it difficult to accurately assess the magnitude of their concerns.

Workers’ Compensation

Senior staff from the Bureau of Workers’ Compensation discussed the efforts the Bureau is undertaking to proactively work with businesses, highlighting in particular the \$1 billion in rebates that businesses had recently received. Staff also discussed the creation of regional business development manager positions as local regional contacts for working through issues, and the tripling of safety grant funding to \$15 million from \$5 million and the related change in grant matching to 3:1 from 2:1. Other examples provided included working with the Oil & Gas Association to create the Oil & Gas Safety Council to focus on safety issues specific to that industry, and working with approximately 600 companies to get back into good standing through one-time forgiveness waivers amounting to \$2 million.

Nutrient Management and Waterways

Being particularly pertinent to the agribusiness community in northwest Ohio given the proximity of Grand Lake St. Mary’s and Lake Erie, the Council meeting in Lima included a panel discussion on nutrient and phosphorous management. The panel was led by a senior staff member of the Office of the Governor and included senior

representatives from the Ohio Lake Erie Commission, Ohio Department of Natural Resources, Ohio Department of Agriculture, and the Ohio Farm Bureau Federation. They provided an historical overview of phosphorous management efforts in the Lake Erie watershed and their impact on Lake water quality. The panelists concurred that while past efforts were effective in addressing non-dissolved phosphorous run-off, much remains to be better understood regarding the pathway of dissolved phosphorous into waterways, and that a solution would necessarily be broad-based and collaborative.

The Council also met with agency directors and senior staff from the Ohio Air Quality Development Authority and the Department of Taxation to hear on topics varying from financial assistance programs available to businesses for pollution mitigation equipment, and sales and use tax reporting.

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

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):

- December 2011 – 7.9%
 - December 2012 – 6.7%
 - December 2013 – 7.2%
- (Source: Ohio Labor Market Information – www.ohiolmi.com)

Unemployment Rate (National):

- December 2011 – 8.5%
 - December 2012 – 7.8%
 - December 2013 – 6.7%
- (Source: Ohio Labor Market Information – www.ohiolmi.com)

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
- 2012 – 456 projects totaling approximately \$7.5 billion and 26,886 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

- | | |
|--|---|
| • 2011 Ohio Overall – 38 th | • 2011 Ohio Regulatory Climate – 10 th |
| • 2012 Ohio Overall – 33 rd | • 2012 Ohio Regulatory Climate – 16 th |
| • 2013 Ohio Overall – 29 th | • 2013 Ohio Regulatory Climate – 7 th |

Site Selection Top State Business Climate Rankings

	2011	2012	2013
Overall	9 th	2 nd	4 th
Executive Survey Rank	8 th	9 th	10 th
Competitiveness Rank	10 th	3 rd	6 th
New Plant Rank	2 nd	1 st	2 nd

Chief Executive Magazine *Best & Worst States for Business*

2011	Ohio Overall – 41 st	Ohio Taxation and Regulation ⁶ – 4.00
2012	Ohio Overall – 35 th	Ohio Taxation and Regulation – 4.25
2013	Ohio Overall – 22 nd	Ohio Taxation and Regulation – 5.31

CNBC's *America's Top States for Business*

2011	Ohio Overall – 23 rd	Ohio Business Friendliness – 42 nd
2012	Ohio Overall – 25 th	Ohio Business Friendliness – 37 th
2013	Ohio Overall – 28 th	Ohio Business Friendliness – 33 rd

⁶ Chief Executive Magazine asked CEOs to rate the states using a 1-10 scale, with 10 = outstanding, 5 = average and 1 = poor. Areas comprising the “Taxation and Regulations” category are: State income tax and corporate tax rates; Perceived attitude of government to business; Degree of employment compliance regulations; Degree of environmental compliance regulations; and Tax incentives for locating in this state.

APPENDIX A: EXAMPLES OF AGENCY CSI INITIATIVES

Bureau of Workers' Compensation

- Billion Back campaign-
 - \$1 billion dollars in rebates to 210,000 private and public employers.
 - Tripled safety grant funding from \$5 million to \$15 million (with a 3:1 match for the employer) and lifted the cap on the lifetime maximum an employer can receive in safety grant dollars from BWC.
- Reduced private employer base rates by 2.1%, saving employers \$29 million for the 2014 policy year.
- Reduced public employer base rates by 1.6%, saving them \$3.9 million for the 2014 policy year.
- Implemented Claims Triage focusing specialized expertise for each stage of an injured workers' claim to assist in faster return to work for injured workers.
- Significantly expanded Drug Utilization Reviews to reduce addiction, abuse, and overdoses among injured workers.

Department of Taxation

- **Business Tax Reforms**
 - **50 Percent Small Business Exclusion** – This deduction allows small business owners/investors to exclude from their state income tax returns half of all pass-through entity income up to a cap of \$250,000. This will keep more than \$1.6 billion in the hands of Ohio small business owners to use to grow their businesses.
 - **10 Percent Personal Income Tax Cut** – Effective with the 2013 tax year, personal income tax rates will be reduced by 8.5 percent, 9.0 percent in 2014 and 10 percent in 2015. This three-year reduction will cumulatively deliver nearly \$3 billion in tax relief.
 - **Financial Institutions Tax (FIT)** – A new tax on banks, savings and loans and other financial institutions was approved, replacing the previous fragmented system of taxing these businesses. The creation of the FIT made it possible to eliminate the Dealers in Intangibles tax and move those taxpayers over to the Commercial Activity Tax. There are three tax rates for the FIT depending on the amount of equity a financial institution has in Ohio.
 - **Improved the sales tax refund process** – Nearly eliminated a backlog of refund claims by streamlining the process resulting in an annual cost savings of \$800,000.

- **Consumer Use Tax Amnesty**
 - Ohio's 19-month consumer use tax amnesty program attracted over 3,700 returns and brought in \$38.1 million, while meeting its goals of being business friendly and educating businesses about the tax. The program allowed participants to pay only the tax due without penalty or interest and offered interest-free payments plans of up to seven years for liability exceeding \$500. The use tax amnesty program ended May 1, 2013.

- **Buckeye Refund**
 - Taxation began reaching out to approximately 3,500 business taxpayers to return \$13.7 million in overpayments of which these taxpayers were not aware. Under Ohio law, the onus for initiating a refund lies with the taxpayers. Consequently, for years the department would leave overpayments in an unclaimed refund account until a statutory time limit expired causing the funds to be absorbed into the state general revenue fund. The Kasich-Taylor Administration put an end to that practice saying taxpayers deserve their money back and to be treated more like customers, not revenue generators. The Buckeye Refund outreach effort began in the Commercial Activity Tax and will be extended to cover other taxes.

LeanOhio

- **Ohio Board of Nursing**
 - Streamlined Licensing: Faster licensing will allow new nurses to work for their employers up to 19 weeks sooner -- while allowing nurses who are already licensed to renew in one-tenth the time. In Ohio, all nurses have to be licensed in order to practice, and renew their licenses every two years. As a result of process improvements identified through the Lean Ohio process, initial license exam and endorsement applications process time will be reduced from a maximum of 100 days to just 12 days. For renewal applications, process time will be reduced even more -- from a maximum of 194 days to 8 days.

- **Ohio Department of Mental Health and Addiction Services**
 - Licensure and Certification Process: The creation of a consolidated application process will speed up licensure, certification, and renewal for providers of mental health and addiction services. The current licensure and certification process within the Department of Mental Health and Addiction Services lacks standardization and does not have a combined process for both mental health and addiction services providers. The new licensure and certification process will allow Mental Health and Addiction Services providers to complete a single application for all services offered when applying for or renewing their licensure or certification, and save 1 ½ months per application on average.

Ohio Department of Health

- Decreased the amount of information hospitals with skilled nursing beds are required to report quarterly.
- Eliminated burdensome and time consuming pre-decision objection hearing process and substituted a comments period instead.
- Implemented a license structure for pediatric respite care in response to industry requests.
- Added rules to allow pre-packaged food vending micro-markets to operate without requiring the presence of a full-time employee in response to industry requests about this rapidly growing segment of the food vending industry.
- Issued a letter of opinion to allow the summer and after school meal programs funded by USDA to operate without a license.

SMALL BUSINESS ADVISORY COUNCIL MEMBERS



ORLANDO ALONSO
Columbus Pest Control, Inc.
Office: (614) 279-1587
Lonnie@columbuspestcontrolinc.com



MICHAEL BAACH
The Philpott Rubber Company
Office: (330) 225-3344
mbaach@philpottrubber.com



MICHAEL CANTY
Alloy Bellows & Precision Welding, Inc.
Office: (440) 684-3000
m.canty@alloybellows.com



BRANDON COHEN
Ohio's IT Alliance Inc.
Office: (419) 530-2343
brandon.cohen@utoledo.edu



THOMAS DEMALINE
Willoway Nurseries
Office: (440) 934-4435
tom@willowaynurseries.com



CRYSTAL FAULKNER
Cooney, Faulkner & Stevens LLC
Office: (513) 768-6798
cfaulkner@cfscpa.com



RICHARD FEDOROVICH
Bober Markey Fedorovich
Office: (330) 762-9785
rfedorovich@bobermarkey.com



MICHAEL FLOWERS
KBK Enterprises
Office: (614) 476-3548
m.flowers@kbkenterprises.net



DAN YOUNG
Young's Jersey Dairy
Office: (937) 327-9403
danyoung@youngsdairy.com