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Interested Party Testimony Submitted to the Ohio Senate Government Oversight and Reform Committee on Senate Bill 79

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Thank you, Chairman Coley, Vice Chair Uecker, Ranking Member Schiavoni, and members of the Committee for the opportunity to testify regarding Senate Bill 79. My name is Greg Lawson and I am the Research Fellow at **The Buckeye Institute** for Public Policy Solutions here in Columbus.

The Buckeye Institute, the **Heritage Foundation**, the **Brookings Institute**, and the **Obama Administration** do not often all agree on an issue. However, we have all agreed on the need to relieve the burdens created by bureaucratic occupational licensing that afflict workers and families with low- to middle-incomes. By authorizing legislative panels to weed through Ohio's overgrown thicket of licensing boards, the policy in Senate Bill 79 gives lawmakers a much-needed tool for uprooting bureaucratic thistles that deprive Ohioans of the potential fruits of their labor. Thus, this bill takes a welcome step toward improving Ohio's job market and making it easier for Ohio's working class families to prosper.

No one disputes that state licensing requirements are needed in many cases and industries to help ensure public safety. Requiring appropriate education and training for physicians, health care providers, pilots, and truck drivers, for example, helps safeguard the general public in our hospitals, roads, and runways. However, these concerns fade dramatically when applied to auctioneers, travel guides, and hairdressers—all of whom are subject to Ohio's byzantine licensing requirements.

According to the Heritage Foundation, occupational licensing requirements cost the average U.S. household \$1,033 per year.¹ Analysts across the political spectrum recently revealed significant sources of occupational licensing and their adverse effects on the nation's job and labor markets. As part of the Brookings Institute's Hamilton Project, for instance, researchers discovered that much of the growth in occupational licensing requirements stems from professional associations and not from public interest groups.² Unsurprisingly, their research also showed that stringent licensing requirements result in fewer providers of the services subject to the requirements.³

The Obama Administration echoed these concerns in a July 2015 report issued by the White House that proposed a framework for reducing burdens on those seeking to enter the professional ranks.⁴ Last year, The Buckeye Institute released ***Forbidden to Succeed: How Licensure Laws Hold Ohioans Back***, which showed not only that Ohio's licensing burdens are well above the national average, but also that nearly every Ohio license that requires training can be earned in less time in another state.⁵

The ladder to economic prosperity is hard enough to climb without the state making it even harder and more expensive. Fortunately, several provisions in Senate Bill 79 hand the General Assembly new tools for weeding out some of Ohio's most unnecessary and burdensome licenses. Senate Bill 79 codifies provisions that would automatically sunset cabinet agencies absent

¹ Salim Furth, ***Costly Mistakes: How Bad Policies Raise the Cost of Living***, Heritage Foundation, November 23, 2015.

² Morris M. Kleiner, ***Reforming Occupational Licensing Policies***, Brookings Institute, March 2015.

³ *Ibid.*

⁴ The White House, ***Occupational Licensing: a Framework for Policymakers***, July 2015.

⁵ *Ibid.*

specific reauthorization. It authorizes the General Assembly to review Ohio’s licensing boards and provides good guidance for how legislative committees should conduct their examinations. It also makes clear that state policy will rely on the “least restrictive form of regulation” as a means of consumer protection.

Those forms of regulation, in order from least to most restrictive, are as follows: market competition; third-party or consumer-created ratings and reviews; private certification; specific private civil cause of action; actions under the Ohio Consumer Sales Practices Act; regulating the process of providing specific goods or services; inspection; bonding or insurance; registration; government certification; specialty occupational license for medical reimbursement; and occupational licensing.

Senate Bill 79 improves the status quo. Unfortunately, it lacks the proverbial teeth necessary to force state licensing boards to prove that they are essential for ensuring public safety rather than merely defending entrenched market interests. The bill could be strengthened by including sunset provisions for state licensing boards and commissions similar to the automatic provisions applied to cabinet agencies.

Policymakers should recognize that requiring workers to ask the government for permission to earn a living makes Ohio *less* competitive, *less* prosperous, and *less* attractive to entrepreneurs and their employees. For a state still struggling to create new jobs, “less” is not more.

Ohio has come a long way since the Great Recession, but it has not yet rebounded from the tech bubble burst and remains down more than 100,000 private sector jobs from its peak in March 2000.⁶ The state’s labor force participation rate has improved in recent months and is now slightly higher than the national rate, but in recent years, Ohio has flirted ominously with historically low participation rates. So, although Ohio’s job market continues to improve, it still has a long way to go.

Licensing requirements make finding a job more difficult. Every license requirement raises a red-taped hurdle for workers to clear before earning a living or starting a new career. Every hour of unpaid training needed to satisfy bureaucratic requirements is an hour not spent earning tips, impressing a boss, serving a customer, or opening a business. Those are hours of lost productivity, hours of opportunity that young, low-income workers sorely need, but that the state continues to take for itself.

Tragically, such burdens are borne no less lightly by those in Ohio’s minority communities—communities already facing daunting employment prospects. Nationally, the unemployment rate among African Americans remains much higher than among other demographics. According to the Bureau of Labor Statistics, the most recent unemployment rate was 7.5 percent for African Americans—more than double the 3.7 percent unemployment rate for whites.⁷ Similarly, unemployment confronts a staggering 27.3 percent of young African Americans between 16 and

⁶ The Buckeye Institute, “**Ohio by the Numbers – October 2015**,” The Buckeye Institute.

⁷ Bureau of Labor Statistics, “**Table A-2. Employment Status of Civilian Population by Race, Sex, and Age**,” U.S. Department of Labor, accessed June 26, 2017.

19, and 11.4 percent of young whites.⁸ Given the relatively high number of African Americans and women in the salon industry.

Reforming Ohio's occupational licensing regime will help remove at least some of the burdens and obstacles to economic success.

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

⁸ *Ibid.*