

COSE

COUNCIL OF SMALLER ENTERPRISES



Legislative Agenda **for State Policy-makers**

Northeast Ohio
2006 - 2007

A Letter to Our Public Leadership

In this critical time in our state's history, it's incumbent upon each Ohioan to take part in shaping the solutions to our challenges. As the voice of small business, we at the Council of Smaller Enterprises (COSE) take that responsibility very seriously.

How significant is small business? Even though we don't grab headlines every day, our economic impact is considerable.

- We represent 99.7 percent of all employer firms.
- We employ half of all private sector employees.
- We have generated 60 to 80 percent of net new jobs annually over the last decade.
- And, according to the U.S. Census Bureau, of the 271,733 businesses in Ohio, 269,991 are small businesses.

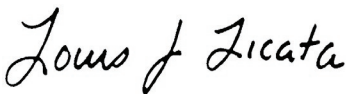
COSE alone represents more than 15,500 small businesses in Northeast Ohio, and if COSE members were to add up their employee numbers, COSE would be the largest employer in the region. Clearly, no discussion about economic development and the state's future is useful without considering the needs of small business.

For three decades, COSE has worked hard to call attention to those needs. Last year, through the efforts of our members, we helped secure passage of legislation important to small business in three areas: tax reform, workers' comp reform and tort reform.

While the specific issues vary during each four-year Governor's term, our approach remains the same: we believe that small businesses, which create approximately two-thirds of all new jobs, ought to be encouraged to grow and thrive in every way, because the more successful they are, the more jobs are created and the more our families, communities and economy prosper. Our work focuses on removing those barriers to small business success and creating new opportunities.

While we're proud of our successes, we know there's much more to do. And COSE is fortunate to have a group of dedicated volunteers serving as tireless advocates for small business in order to effect change. This legislative agenda is the result of months of hard work and healthy debate among a large, engaged group of COSE members and we thank them for their time and commitment.

We will once again harness the power and influence of our members to advocate for the priorities outlined in this agenda. We urge you to join us in our efforts and do your part to move our state forward.



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COSE ADVOCACY

A significant benefit of being a member of COSE, the small business arm of the Greater Cleveland Partnership, is the opportunity to participate in raising a unified, collective voice on the legislative and regulatory issues affecting small business. Our substantial membership ensures a strong voice on public policy issues. Our legislative agenda is a major avenue for us to engage public policy-makers and articulate our positions thoughtfully to those whose decisions affect our livelihoods.

The agenda is intended to serve two purposes. In addition to providing our lawmakers with background information and specific goals we have set forth regarding public policy, it also serves as an internal guide for COSE members, volunteers and staff, providing focus for our ongoing efforts.

Four core personal and professional values and policy principles set the course for the energy we are channeling into our government advocacy efforts. With this agenda, COSE seeks to facilitate responsible public decision-making that will:

ALLOW FREEDOM FROM GOVERNMENTAL CONSTRAINTS – Competition and entrepreneurship are good for the economy and as such, government should limit its statutory and regulatory actions to create a level playing field across social and economic strata. Government should support the principle that in most cases, the government that governs least governs best.

PROMOTE IDEALS OF FAIRNESS – Public laws and government actions should be designed to provide equitable and reasonable treatment under the law for all, including businesses, large and small. In striving to reach that goal, care must be taken to ensure that personal and corporate freedom and opportunity are not unnecessarily limited.

GRANT OPPORTUNITY – Opportunity is freedom, and a proactive government should enhance opportunities for people and businesses, and demonstrate strong support for entrepreneurship.

DEMAND ACCOUNTABILITY – Straightforward policies and procedures developed in consultation with those affected will promote responsibility and accountability, which are expected of individuals and businesses and should be expected of government entities.

2006-2007 GOALS

COSE's area of focus and legislative/regulatory goals for 2006-2007 fall into four general categories:

Economic Development – Increase economic incentives for small business, make education a higher priority in Ohio and create a closer relationship between the small business community and Ohio's schools.

Taxes – Reduce the complexity of the tax system to make compliance easier and less expensive for small business.

Health Care – Require that all individuals – regardless of the state of their health – have health insurance to spread the cost of care across the population and ultimately reduce the burden on employers.

Regulation – Require a cost-benefit analysis on new legislation to assess the impact on small business and guard against unfair regulatory disadvantage compared to big business.

COSE developed this comprehensive legislative agenda to advocate the interests of small business, influence public opinion and policy and promote the important role of smaller enterprises in our economy. The agenda was developed over the course of several months and was driven by passionate small business member delegates with input through roundtable discussions, an issues conference, and finally, a vote to identify the top issues to address through our advocacy efforts over the next several years.

This agenda focuses on the strengths of Ohio's small businesses, while recognizing the broader economic challenges facing the state of Ohio. COSE's legislative agenda advances ideas that encourage state policy makers to be more strategic at the nexus between education, workforce and economic development issues, and to invest wisely and prudently in those areas that will most effectively propel Ohio forward in the 21st century.

ECONOMIC DEVELOPMENT

GOAL Prioritize education and encourage a strengthened relationship between small business and schools

Just as important as capital, small business owners are often burdened with finding qualified and educated workers. Although often dismissed as not a small business problem, education is a growing concern for our members. In fact, last fall, COSE surveyed our Cleveland-based small business owners and found that their top concern was the education of our children. COSE's recognition of the importance of engaging with the educational system has led to our full support of the unique E-Prep School, which emphasizes individual educational growth in the context of entrepreneurial discipline and personal responsibility.

For decades now, Ohio has struggled with successfully educating all of our children. The next Governor of Ohio must make educating our children a priority. Our members must be able to access highly qualified young people ready to contribute to the economy upon graduation. Education in Ohio must begin before kindergarten and extend through, or beyond, a four-year degree from a college or university.

The Governor must ensure that small business is represented in the discussion regarding education in the state. Small business must be at the table in creating a plan of action to implement a stronger relationship that will foster successful students, higher graduation rates and a stronger, more educated workforce. Educational improvement must include practical ways for small business to engage with schools and students to equip them with the perspective and skills needed to contribute upon graduation.

GOAL Assess the range of the current economic development incentive programs in the state for small business and make recommendations for future incentive programs to support and encourage small business growth in Ohio.

Small business owners face an uphill battle when it comes to securing funding for the start-up, retention and expansion of their businesses. Typically, state and federal subsidies are given to larger companies or are based on industry rather than the number of employees. Access to working capital is a major problem for many small businesses. Of COSE's 15,500 small business members, nearly 75 percent have fewer than 10 employees, and of that group, 50 percent have three or fewer employees.

While the Ohio Department of Development (ODOD) does a good job at providing growth opportunities for mid- and large-size companies, the same incentives are not as readily available to small business. The Third Frontier initiative, which flows much needed capital to small business, generally hits businesses primarily in the manufacturing and technology fields. We believe that these types of incentive programs are imperative to the success of Ohio, however, the state should also support small business growth in the industries of retail, service and distribution businesses that have historically not been eligible to receive most state financial incentive programs. We believe that expanding existing programs will allow for more small business growth, creating more jobs and opportunities for all of Ohio's citizens.

The Governor should commission a review of all economic incentives to ensure that they effectively support the needs of small business. This review should involve representatives of small business, legislators, ODOD officials, local SBA officers and associations promoting small business growth in the region and state.

Based on the findings of the review, the Governor should implement a portfolio of support and financial incentives to enhance the growth and success of small business in the state of Ohio.

TAXES

GOAL Reduce the complexity of the tax system.

Although legislators recently passed much needed tax reform legislation, small businesses continue to be burdened by the complexity of the tax code. Beyond the specific cost of taxes themselves, small businesses face complicated and confusing compliance requirements that cancel out other attributes offered by the state.

The next Governor should consider ways to reduce the complexity of paperwork for complying with government tax forms. The process to complete tax forms should be clear and concise. Taxpayers (individuals and businesses) should be able to reasonably complete government tax forms on their own and the filing and bill paying process should be simplified.

HEALTH CARE

GOAL The Ohio General Assembly should require that all individuals have some level of health care coverage similar to auto insurance.

Employers are the primary source of health insurance in the United States, covering 120 million people. While the cost of health insurance has increased dramatically over the past decade, far surpassing the general rate of inflation in most years, the percentage of employers offering health insurance benefits to employees continues to decline.

But the challenges to small business within the current health care system go beyond the costs experienced by all employers. Many small businesses do not have adequate access to affordable insurance for all their employees.

By reforming the health insurance system to require all individuals in the state – healthy, sick and voluntarily not participating – be covered, the cost of health care is spread throughout the entire population. It is vital that any health care reform encourage individual responsibility so that smaller employers would no longer bear the lion's share of the cost of uncompensated health care and health care mandates.

Finding a balance between access, quality and cost-effectiveness should be the goal of the Governor and General Assembly.

REGULATION

GOAL Enact legislation that would establish a cost-benefit analysis for any newly introduced bill that impacts small business.

Although small business makes up two-thirds of all new jobs in the economy, they have an unfair regulatory disadvantage compared to big business. Small business is often burdened with duplicative, unnecessary and overly complicated regulations. Typically, small business owners do not have the ability to hire staff to comply with these “unfunded mandates.” States across the country are beginning to address some of the inequities through legislation that calls for a cost-benefit analysis of any new legislation that may impose unfair restrictions on small business. We believe the Governor and Ohio General Assembly can help level the playing field.

The Assembly should enact legislation that would establish a cost-benefit analysis for any existing or newly introduced bill. The analysis should take into account the cost in terms of time and dollars for small business to comply with new filing requirements. Other states, such as Colorado and Georgia, have passed similar requirements.

ACKNOWLEDGEMENTS

The one constant in COSE's ability to make a difference has been the active involvement of our members in the work that we do and the decisions we make. COSE is an organization for business owners, led by business owners. We would like to acknowledge and thank the following individuals for their leadership.

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RESOURCES

COSE and Greater Cleveland Partnership staff can serve as a resource for public policy officials on a broad spectrum of topics. We encourage calls for information and assistance, background materials and perspectives, and links to other research data. Please use the following list as a starting point.

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