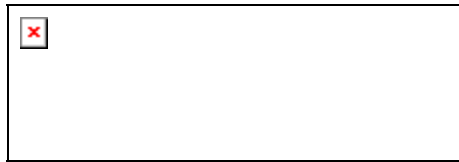


Decision '06: COSE Small Business Issues Conference

*Lead, Engage, Advocate, Defend*

May 25, 2006

Thank you to our sponsors:



## The Council of Smaller Enterprises (COSE)

*The Council of Smaller Enterprises (COSE), the small business arm of the Greater Cleveland Partnership, serves as a one-stop resource for its members by providing: group-purchasing programs that reduce the cost of doing business; education and development programs for small- and mid-sized businesses; advocacy on legislative and regulatory issues affecting the business community; a wide range of resources focused on helping firms grow; and economic development partners that can address business concerns. ([www.cose.org](http://www.cose.org))*

## The Greater Cleveland Partnership

*The Greater Cleveland Partnership (GCP) is a membership association of companies in Northeast Ohio, with approximately 15,500 members. The GCP is the largest private-sector economic development organization in Ohio and one of the largest metropolitan chambers of commerce in the nation. Our organizational core includes our small-business division, the Council of Smaller Enterprises (COSE), a one-stop resource for our small business member companies. The GCP mobilizes private-sector leadership, expertise and resources to help create jobs and wealth and improve the economic vitality of the region.*

## COSE Grassroots Network

*For more than 30 years, COSE has served as a champion for small business in Northeast Ohio. Through unique partnerships, COSE harnesses the collective power and talents of members, volunteers, staff and other stakeholders to foster a strong, healthy and vital small business community.*

*When small business issues arise at the local, state or federal level, COSE has the unique capability to mobilize its membership. COSE members often get involved through committees and annual events, such as the Small Business Day at the Capital in Columbus and the NSBA Washington Presentation in Washington, D.C.*

*As a united network of businesses, input regarding small business issues has a dramatic impact on our legislators. Both parties are rewarded when concerned citizens communicate with their legislators. The legislators receive important insights from their districts and the constituents become better acquainted with the policy-making process and the people who represent them.*

*COSE's Grassroots Network is a great way to get involved in COSE's advocacy efforts. Join the COSE Grassroots Network by e-mailing Claire Walker at [cwalker@gcpartnership.com](mailto:cwalker@gcpartnership.com).*

# Decision '06: COSE Small Business Issues Conference

## *Lead, Engage, Advocate, Defend*

### Introduction

The Council of Smaller Enterprises (COSE) is developing a 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. This agenda will focus on the strengths of Ohio's small businesses, while recognizing the broader economic challenges facing the state of Ohio. These challenges, as discussed in detail below, are indicative of an industrially based economy facing intense global competition as it transitions toward an increasingly knowledge-based service sector-dominated economy. COSE's policy agenda will advance ideas that will assist in this transition by encouraging 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 21<sup>st</sup> century.

Despite growing global competition, Ohio remains one of America's leading manufacturing and agribusiness states. Located in the heart of the country's industrial region, more than 60 percent of all U.S. households live within 600 miles of Ohio. With strategic waterways and convenient interstate highways, Ohio is extremely accessible, allowing for significant exporting -- ranking seventh in exporting among all 50 states and the District of Columbia. Ohio also has the seventh largest state economy in the U.S., and ranks third in manufacturing gross state product (GSP). Ohio's GSP made up 3.6 percent of the national total in 2004. If Ohio were a separate country, it would have the 26th largest economy in the world. The state's factories lead the nation in the production of steel, rubber and plastics, and fabricated metals. Ohio also continues to be a leader in the automotive industry.

As a state economy, Ohio's number one industry sector is manufacturing, with 20.2 percent of total output in 2004, compared to the national average of approximately 12.8 percent. All service industry sectors combined, however, make up nearly 75 percent of the state economy (this includes management of companies and enterprises, health care, social services and related services). Ohio is a national leader in research and development, ranking ninth in the number of individuals receiving patents, and 11th in the receipt of research and development grants. One-half of the state's gross state product is created in its three largest metropolitan areas: Cleveland, Columbus and Cincinnati; all other metropolitan areas add one-third of GSP, bringing the metropolitan portion to five-sixths of the total GSP.

Yet, despite all of its strengths, the state still faces significant economic challenges. These challenges are reflective of the difficult transition the state is making from an industrial to a post-industrial, knowledge-based economy that must compete globally. In many ways, Ohio's historic strengths in manufacturing and agribusiness, while still powerful, have been diminished by the "flattening" of the global economy. This has taken place as other nations, using technology and increasingly educated workforces, have the ability to compete successfully against Ohio businesses. Particularly troubling are those countries that are producing relatively low-tech commodities much more cheaply off shore.

These global economic trends are driving Ohio and U.S. manufacturers up market in terms of concentrating more on the creation of value-added products that are both knowledge- and technology-rich. These realities also

underscore the need for Ohio to become more strategic in terms of aligning government policies and programs with the state's key economic needs.

Educational attainment is an important case in point. Ohio places close to the bottom among the states (39<sup>th</sup>) in higher education graduation rates with only 22.9 percent of the population having attained a bachelor's degree or higher, compared to the national average of 26.6 percent. This fact, which is tied in part to the historic realities that allowed many Ohioans to attain middle class industrial and manufacturing jobs without a college education, needs to be addressed because it undermines individual and collective prosperity. Additionally, census figures show that Ohio lost a larger share of its core workforce in the 1990s – 146,000 people aged 20 to 54 – than any other state. In fact, Ohio is currently rated 49<sup>th</sup> out of the 50 states in economic momentum according to at least one measure. Numbers for economic momentum are derived by averaging the most recent one-year changes in employment, personal income and population, and relating each state's performance to the national average, set at zero.

Ohio generally falls in the middle of most national rankings related to state and local fiscal issues. However, historical trend lines show that over the course of the past 30 years or so, Ohio has moved from relatively low per capita tax and spending levels to a state with per capita tax and spending levels that are above the national average.

According to the state and local per capita rankings found in *Governing Magazine's* State and Local Sourcebook (2005), Ohio is ranked 16<sup>th</sup> in total revenue per capita and 18<sup>th</sup> in total tax revenue per capita. These rankings are not out of line with the other top 10 states. Ohio is ranked 17<sup>th</sup> in total spending per capita. In comparison to the Midwest, Ohio's per capita tax and expenditure rankings are generally in the top quartile. Ohio is fourth in the Midwest in both total revenue per capita and total spending per capita.

Ohio ranked 20<sup>th</sup> in the nation in 1998 in per capita state and local income taxes. Today, Ohio ranks 7<sup>th</sup>. Similarly, Ohio has come from 31<sup>st</sup> in the nation to 23<sup>rd</sup> in its per capita property tax ranking. Meanwhile, corporate income taxes continue to make up less of the total revenue pool with Ohio's rank dropping from 13<sup>th</sup> to 24<sup>th</sup> among the states with regard to corporate income tax revenue collections.

These trend lines, however, may begin to improve over the next few years. Ohio government leaders have recognized these economic challenges and responded in 2005 with a major, pro-growth business tax reform package that is being phased in over the course of the next five years. The proposal, which eliminated the corporate franchise tax and replaced it with a commercial activity tax, will work to lower the overall tax rate while broadening the base of business taxation. These tax reforms also included a 21 percent state income tax rate reduction phased in over the same five-year time period. COSE understands the importance of these reforms and their timely and comprehensive implementation.

State policymakers have also undertaken educational and economic development related studies, including the work of the Commission for Higher Education and the Economy (CHEE). The CHEE report, released in April 2004, highlighted Ohio's educational under-attainment and called for a 30 percent increase in post-secondary enrollment over a 12-year period (2003-2015). More recently, the Taft administration has called for more rigorous high school curricular standards, stronger college entrance requirements and the need to graduate high school students prepared to contribute to the workforce upon graduation. These efforts are the outgrowth of The Partnership for Continued Learning (PCL), whose goal is "to integrate Ohio's educational systems to establish a seamless, life-long learning experience that will prepare all Ohioans for success in the 21<sup>st</sup> century knowledge economy." It is important, as these initiatives move forward, that community and business leaders be involved in aligning the work of the education system with the needs and expectations of the 21<sup>st</sup> century economy and its workforce.

COSE encourages a more strategic approach to the management of state government and the use of limited state resources. Ohio's small businesses want a fair and level playing field when it comes to government policies and practices. They want government to work as hard as they do to be efficient and effective in the use of scarce resources. Strategically speaking, they want state and local government to do a better job focusing on what matters most in terms of investing limited public assets in ways that will help Ohioans compete and prosper in a knowledge-based global economy.

With this in mind, COSE has developed its 2006 legislative policy recommendations in the areas of health and human resources, economic development, and regulatory and tax policy. These recommendations, if enacted, will help Ohio head down a more positive path toward a more vibrant and sustainable economic future.

## Process

Over the past four months, COSE members actively participated in a process of issues identification that are found in each section of this document (Economic Development, Health and Human Resources, Regulatory and Taxes). What is presented in the following pages is a list of issues that, if addressed, will help reduce the cost of doing business in Ohio, provide support to small business and build positive momentum for Ohio.

During conference breakout discussions, a moderator will lead you through each proposed issue item for that session. You, the members, are encouraged to have an honest discussion on each issue. At the end of the session, the moderator will ask you to vote on the top five issues that you think will make the most impact.

Over the summer, we will gather and combine the lists from each session and send out an e-mail asking you to prioritize the issues. From this, we will create COSE's legislative agenda for the next the Governor of Ohio. COSE will then present our findings to the Governor and our state legislators and use it as a guide to determine where we focus our attention and resources.

Thank you for participating in today's event. We value your opinions and time.

**Decision '06: COSE Small Business Issues Conference**  
*Lead, Engage, Advocate, Defend*

**Program of Events**

7:30 – 8:15 a.m.	<b>Registration</b>	
8:00 – 8:55 a.m.	<b>Breakfast (plated)</b>	
8:45 – 8:50 a.m.	<b>Greeting/Overview of Day</b>	Bob Aber, SBIC Chair President, Aber Companies
8:50 – 9:00 a.m.	<b>Opening Remarks/ Introduction of Speaker</b>	Louis Licata, COSE Chair President, Licata & Associates
9:00 – 9:45 a.m.	<b>Guest Speaker</b>	Congressman Ted Strickland
9:45 – 10:00 a.m.	<b>Break</b>	
10:00 – 11:00 a.m.	<b>Concurrent Workshops – Session I *</b> Economic Development Health & Human Resources Regulatory Tax	
11:00 – 11:15 a.m.	<b>Break</b>	
11:15 a.m. – 12:15 p.m.	<b>Concurrent Workshops – Session II *</b> Economic Development Health & Human Resources Regulatory Tax	
12:15 – 12:30 p.m.	<b>Break</b>	
12:30 – 1:05 p.m.	<b>Lunch</b>	
1:05 – 1:10 p.m.	<b>Introduction of Speaker</b>	Tom Pitrone, COSE Advocacy Chair Principal, The Integrity Group
1:10 – 1:55 p.m.	<b>Guest Speaker</b>	Representative Tom Raga
1:55 – 2:15 p.m.	<b>Break</b>	
2:15 – 4:00 p.m.	<b>Legislative Update</b>	Tim Cosgrove, Partner, Squires, Sanders & Dempsey and Greg Browning, Principal, The Capital Group
4:00 – 5:30 p.m.	<b>Cocktail Reception</b> (Open to NEO legislators)	

## Decision '06: COSE Small Business Issues Conference

### *Lead, Engage, Advocate, Defend*



**Congressman Ted Strickland**

Congressman Ted Strickland was born on August 4, 1941 in Lucasville, Ohio. The son of a steelworker, and one of nine children, Ted spent his childhood active in church and school life.

Ted attended Asbury College in Kentucky, receiving a B.A. in History and Master of Divinity from Asbury Theological Seminary. Ted continued his studies at the University of Kentucky, receiving a doctoral degree in Counseling Psychology in 1980.

Ted is married to Frances Smith Strickland of Simpsonville, KY. Frances is an educational psychologist and author of a widely used screening test for kindergarten-age children. She has also authored a children's book, *The Little Girl Who Grew Up To Be Governor*.

Professionally, Ted has served as a minister, a psychologist and a college professor. He was a director at a Methodist children's home, an assistant professor of psychology at Shawnee State University and a consulting psychologist at the Southern Ohio Correctional Facility (SOCF).

During his last five terms in Congress, Ted has served on the House Energy and Commerce Committee, where he has fought to secure a meaningful prescription drug benefit under Medicare and to reform the managed care industry. Ted is also an active member of the Congressional Steel Caucus and has fought to protect American industry and jobs from unfair foreign competition.

Last term, Ted also became a member of the House Committee on Veterans' Affairs. As a member of that committee, he has been tireless in his advocacy for full funding of promised veterans' health programs.

## Decision '06: COSE Small Business Issues Conference

### *Lead, Engage, Advocate, Defend*



**State Representative Tom Raga**

State Representative Tom Raga is finishing his third term in the Ohio House of Representatives, serving the 67th Ohio District in Warren County.

A Cincinnati native, Representative Raga graduated from Moeller High School and earned his bachelor's degree in Agricultural Economics from Cornell University in Ithaca, New York. He began his political career in 1997 as a Deerfield Township Trustee. During his tenure in Deerfield, Tom was recognized by the Cincinnati Enquirer as one of its "21 to watch" for the next century. Upon being elected state representative, Raga has focused his efforts on representing the views, opinions and needs of the residents of Warren County in the Ohio legislature.

Representative Raga is known as one of the most effective legislators in Columbus. He serves as the vice chairman of the powerful House Finance and Appropriations Committee, handling the operating and capital budget bills for the state of Ohio, as well as all other bills seeking financial appropriations. As a member of the Rules and Reference Committee, chaired by the Speaker, he helps control the flow of legislation through the House by referring bills to various committees and then determining when and if bills make it to the House floor for a vote. The newly created Majority Policy Committee, in which he serves as chairman, assists new members as they work through the legislative process and serves as a brainstorming unit for the House Republican Caucus. Also appointed to the Controlling Board, Raga provided legislative oversight for capital and operating expenditures and allocated money to various requests from statewide officers and state agencies.

In his time in the Ohio House, eleven of Representative Raga's bills have been signed into law ranging in topic from preventing check fraud and protecting the children who reside in Ohio's youth homes to creating a new partnership with Sinclair College for Higher Education in Warren County. Additionally - in an era of term limits - he has served as a mentor to freshmen legislators who are establishing themselves at the state capitol. During this session in the House of Representatives, Raga is working on legislation that protects our children from hazards in public schools and a bill that keeps child abusers out of the teaching profession. Recently, Raga passed legislation that fights prescription drug abuse.

He holds regular office hours throughout the county and is involved in various community groups including the Warren County Foundation, the Warren County Republican Party, the Warren County Humane Association and chairs the Vision Warren County: Strengthening our Families initiative.

Tom and his wife Jean live in Deerfield Township (near Lebanon, Ohio) where they are raising their two children - Colleen and Rick. The family attends St. Susanna Roman Catholic Church in Mason. The Raga's share their home with their dog, Sophie. Jean works for Sibcy Cline Realtors as the Sales Manager at their Lakota/Beckett office.

## Decision '06: COSE Small Business Issues Conference Economic Development Policy

**Workshop Session I:** 10:00 a.m. to 11:00 a.m.  
**Workshop Session II:** 11:15 a.m. to 12:15 p.m.

**Moderator:** Jeanne Coughlin, President, The Coughlin Group, Inc.

**Staff:** Nancy Pokorny, Vice President, COSE Member Products

**Task Team:** Joshua Fisher, Regional Dean, Indiana Wesleyan University  
Frank Nagorney, Partner, Cowden, Humphrey, Nagorney & Lovett  
Marsha Powers, President & CEO, Powers Financial Group Inc.  
Ed Stevens, President, Stevens Baron Communications

## Decision '06: COSE Small Business Issues Conference Economic Development Policy

Small business owners face an uphill battle when it comes to securing funding for the start-up, retention and expansion of their business. Typically, state and federal subsidies are given to larger companies or are based on industry rather than employee size. Access to working capital is a major problem for many small businesses. Just as important as capital, small business owners are often burdened with finding qualified and educated workers. Although often dismissed as not a business problem, education is a growing concern for our members. In fact, last fall, COSE surveyed our Cleveland-based business owners and found that their top concern was the education of our public school children. Although economic development is a broad term, we believe that the Ohio General Assembly (OGA) can take specific action to support a positive economic climate for small business.

*The following recommendations are designed to serve as a guide for workshop discussions. They are not all inclusive; additional recommendations are welcome and should be raised for general comment.*

- A. The Governor should create a blue ribbon taskforce on economic development for small business. 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 available to small business. The blue ribbon taskforce would review all economic incentives to ensure that small business is represented in a fair percentage of these programs. The taskforce should consist of representatives of small business owners, legislators, ODOD officials, local SBA officers and associations promoting small business growth in the region and state.
- B. Based on the findings of the blue ribbon taskforce, the Governor should implement financial incentives for small business as is currently enjoyed by larger companies. While money from the Third Frontier initiative flows to small business, it generally hits businesses in the manufacturing and technology fields. These types of incentive programs are imperative to the success of Ohio. The state should also support small business growth in the industries of retail, service and distribution businesses, who have historically not been allowed to receive most state financial incentive programs. While we understand the need to allow the Commercial Activity Tax (CAT) to fully be implemented, we believe that expanding existing programs will only allow for more small business growth and therefore a higher number of businesses paying taxes into the general revenue fund.
- C. Ohio does not define small business in terms of number of employees like the federal government and many county governments do (industry and size). Instead, the ODOD determines most economic development incentive programs based on industry alone. We believe a common definition of small business should be developed and implemented when creating incentive packages for small, mid-size and large businesses.
- D. Small businesses often face difficulties gaining access to capital from a bank. When they do get financing, it is typically at a much higher rate; is not always the full amount requested; often with personal guarantees required, whether needed or not; and generally carrying more stringent terms and contingencies than for larger companies. These more stringent terms for small business are justified by banks because banks consider small businesses as "riskier" clients than larger companies. Most banks create a "credit report" including a credit-underwriting write up and credit scoring for their small business clients. Banks will make a decision on whether to lend the small business money -- how much they are willing to lend a small business and under what conditions -- based on these important credit-writing reports. Small business

should be able to receive a copy of their business credit write up report created by their banks and be able to "own" their business credit as individuals can now from national credit bureaus. The Ohio General Assembly should require all banks, through a new sunshine law, to provide their credit underwriting and scoring report decision for their small businesses.

- E. For decades now, Ohio has struggled with successfully educating all of our children. The Ohio Supreme Court has ruled our school funding practices unconstitutional. The next Governor of Ohio must make educating our children a priority. We need highly qualified young people ready to contribute to the economy upon graduation. Education in Ohio must begin before kindergarten and follow through with at least a four-year degree from a college or university.
- F. The Governor should create a taskforce of business owners to review the current relationship between the business community and our public school system. The goal would be to assess the current needs of the business community and schools and create a plan of action to implement a stronger relationship that will foster successful students, higher graduation rates and a stronger, educated workforce.

## Decision '06: COSE Small Business Issues Conference Economic Development Policy

Please rank what you feel the top small business recommendations should be. Number one should be your highest priority.

- \_\_\_ A. Create blue ribbon taskforce to review economic development incentives
- \_\_\_ B. Create and implement incentives for small business growth in Ohio
- \_\_\_ C. Develop and implement common definition of small business for state of Ohio
- \_\_\_ D. Develop and implement lender credit report disclosure parity for small business owners
- \_\_\_ E. Address and prioritize public education
- \_\_\_ F. Create taskforce to strengthen relationship between small business and public schools
- \_\_\_ G. \_\_\_\_\_
- \_\_\_ H. \_\_\_\_\_
- \_\_\_ I. \_\_\_\_\_

## Decision '06: COSE Small Business Issues Conference Health and Human Resources Policy

**Workshop Session I:** 10:00 a.m. to 11:00 a.m.  
**Workshop Session II:** 11:15 a.m. to 12:15 p.m.

**Moderator:** Keith Ashmus, Esq, Frantz Ward, LLP

**Staff:** Martha Lanning, Senior Director, Employee Benefit  
Products Strategy

**Task Team:** Steven Dlott, Attorney, Zashin & Rich Co. L.P.A  
Carolyn Perry, President, CKP Funding Services  
David Stetler, Principal, Sky Insurance

## Decision '06: COSE Small Business Issues Conference Health & Human Resources (HHR) Policy

The small business challenges 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. The Medicaid program represents nearly 40 percent of the state's general revenue fund. And, experts suggest this will continue to grow. Finding a balance between access, quality and cost-effectiveness should be the goal of the Governor and General Assembly. There are a number of ways the small business community can work with Ohio's public officials to address the issues of cost and quality in health care. Below are suggestive first steps.

*The following recommendations are designed to serve as a guide for workshop discussions. They are not all inclusive; additional recommendations are welcome and should be raised for general comment.*

- A. Technology and cost improvement:
  - a. Government should support the measurement of health care quality. Information on quality of health insurance plans, hospitals and physicians, collected by providers and patients (consumers), should be utilized for decision making by the customer of health care services. Government should support a drive for common definitions of terms and language as well as the use of a universal claims form.
  - b. Government should encourage the development of technology that increases cost effectiveness and quality in the health care and health insurance industries.
- B. Government should encourage employee and consumer health management and education efforts as a method to maintain wellness and proper utilization of the health care system. Employers' efforts to promote a healthy work place should be supported. Consumers should be encouraged to practice preventative life choices. Currently, members of the U.S. Congress are discussing ways for states to receive grant money to promote healthy lifestyle management. Ohio should take advantage of funding sources that could promote the health management and wellness programs.
- C. Government should not add to the rising cost of health care by legislating for mandated benefits. We estimate that every mandate could raise health insurance premiums 1 percent to 3 percent. On average, three mandated bills are introduced every year. If passed, this could raise premiums 3 percent to 9 percent. The General Assembly should enact legislation that would establish a mandated benefits review commission, such as the one contained in SB 209. The commission would be charged with the review and evaluation of the financial impact of existing and proposed mandated benefits.
- D. Government should support pay-for-performance initiatives. These initiatives would hold doctors accountable to the level of care they provide while tying a portion of their compensation to the quality of care that they are providing.
- E. Recently, COSE helped pass a comprehensive workers' compensation reform bill. However, we believe there are still other ways to make the program more efficient. Employers should have the right to choose the provider to review work-related injuries. The current system allows the injured workers to choose their own physician. However, a recent landmark study by the Workers' Compensation Research Institute found that states that allow employers to control the choice of doctor decision experienced a 7 percent to 10 percent decline in medical costs.

- F. Recently, Governor Taft commissioned a Blue Ribbon Task Force to review the existing Medicaid program in Ohio. A number of recommendations for cost containment and redevelopment were outlined. We believe that the following recommendations should be addressed immediately to make the Medicaid program in Ohio more effective and efficient.
- a. Modernize the information systems to monitor and track programs and transactions.
  - b. Use the state's ability to leverage buying power of services. Ultimately, this may reduce the number of service centers, but will create a more efficiently run system.
  - c. Offer to people with disabilities who are working, and earning more than the allowable limits for regular Medicaid, the opportunity to retain their health care coverage through Medicaid. This program would allow working people with disabilities to earn more income without the risk of losing vital health care coverage and therefore becoming a burden on the state by only using costly emergency care.

## Decision '06: COSE Small Business Issues Conference Health & Human Resources (HHR) Policy

Please rank what you feel the top small business recommendations should be. Number one should be your highest priority.

- A. Encourage development of technology that increases cost effectiveness and quality in the health care and health insurance industries
- B. Encourage employee and consumer health management and education
- C. Enact legislation that would establish a mandated benefits review commission
- D. Support pay-for-performance initiatives
- E. Make Workers' Compensation program more efficient; implement doctor decision
- F. Implement Medicaid reform
- G. \_\_\_\_\_
- H. \_\_\_\_\_
- I. \_\_\_\_\_

## Decision '06: COSE Small Business Issues Conference Regulatory Policy

**Workshop Session I:** 10:00 a.m. to 11:00 a.m.  
**Workshop Session II:** 11:15 a.m. to 12:15 p.m.

**Moderator:** John Hexter, Executive Director, American Jewish  
Committee – Cleveland Chapter

**Staff:** Jim Cookinham, Vice President, COSE Education &  
Networks

**Task team:** Robert Aber, President, Aber Companies  
Julie Needler, Marketing Specialist, Junior Achievement of  
Greater Cleveland

## Decision '06: COSE Small Business Issues Conference Regulatory Policy

Although small business makes up 75 percent 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 should enact legislation that will help level the playing field.

*The following recommendations are designed to serve as a guide for workshop discussions. They are not all inclusive; additional recommendations are welcome and should be raised for general comment.*

- A. The Ohio General 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.
- B. The Government should reduce the amount of paperwork required to comply with state regulatory requirements. Federal agencies are moving toward harmonizing their efforts and we believe the state should follow suit.
- C. Recently, Ohio passed a comprehensive tort reform bill that leveled the playing field between employer and employee in terms of the amount of damages an employee may receive in case of an injury. Prior to this, employers were burdened with an unfair responsibility of cost, thus leading to many small businesses filing bankruptcy. The Ohio General Assembly should seek to eliminate or severely limit punitive damages. California currently has an initiative process underway to do just that. The Ohio constitution requires that people have open access to courts for redress of all injuries they suffer, but punitive damages are not compensation for injury, but are to punish the alleged wrongdoer. Thus, these damages are not protected constitutionally.
- D. The Ohio General Assembly should improve Ohio's status as a place to do business. One vehicle would be to pass laws that require state environmental laws to be constructed to be no more stringent than the laws' federal counterparts. Without harmonizing Ohio's laws, COSE's manufacturing base will no longer be able to compete with national or international companies. Ohio still relies on our manufacturing sector and we must continue to secure their success. We are currently in the process of working with the Northeast Ohio business community to promote a fair agreement to cost containment and stringent environmental laws. We believe that harmonizing Ohio's requirements with the federal government will address the environmental issues without harming Ohio's small businesses.
- E. We believe the Office of Small Business of the Ohio Department of Development should strengthen its focus on those companies with 1-25 employees. The 1-25 market is one of the fastest growing sectors of small business and may need the most support in the first few years. By appropriately focusing on the 1-25 employee segment, the Office of Small Business will have a unique opportunity to make a sustainable difference for small business in Ohio.

## Decision '06: COSE Small Business Issues Conference Regulatory Policy

Please rank what you feel the top small business recommendations should be. Number one should be your highest priority.

\_\_\_ A. Enact legislation that would establish a cost-benefit analysis for any existing or newly introduced bill

\_\_\_ B. Streamline state regulatory paperwork

\_\_\_ C. Eliminate or severely limit tort reform punitive damages

\_\_\_ D. Implement environmental regulations to improve Ohio's status as a place to do business

\_\_\_ E. Refocus of the Office of Small Business on companies with 1-25 employees

\_\_\_ F. \_\_\_\_\_

\_\_\_ G. \_\_\_\_\_

\_\_\_ H. \_\_\_\_\_

## Decision '06: COSE Small Business Issues Conference Tax Policy

**Workshop Session I:** 10:00 a.m. to 11:00 a.m.

**Workshop Session II:** 11:15 a.m. to 12:15 p.m.

**Moderator:** Tom Pitrone, Principal, The Integrity Group

**Staff:** Steve Millard, COSE Executive Director

**Task Team:** Tom Pitrone, Principal, The Integrity Group  
Jim Stotter, Principal, Busimetrics LLC.  
Eric Tolbert, Eric Tolbert & Associates  
Colin White, Owner, Kingdom Come Technologies

## Decision '06: COSE Small Business Issues Conference Tax Policy

Small business continues to be the engine that drives the economy. According to the National Small Business Association (NSBA), small business represents 99.7 percent of all employers, employs 50 percent of the U.S. private-sector workforce and produces 50 percent of the non-farm private Gross Domestic Product. Over 2.9 million new jobs from 2000 to 2004 were created by small business alone. The more than 24.7 million small businesses in this country need Congress and the General Assembly to enact tax legislation that will encourage growth of small companies.

*The following recommendations are designed to serve as a guide for workshop discussions. They are not all inclusive; additional recommendations are welcome and should be raised for general comment.*

- A. Last year, the Ohio General Assembly (OGA) passed a comprehensive tax reform bill for the first time in decades. We believe that the OGA must allow the tax reform package to take full effect before amending any aspects of it. The OGA should refrain from both instituting any new carve-out in the Commercial Activity Tax (CAT), and not alter the tax rate of .26 percent; exemption amount of \$150,000; fixed tax amount of \$150 for revenues between \$150,000 and \$1 million; and one-time registration fee of \$15.
- B. Government should, as a rule, spend revenues wisely and follow a prudent system to manage current expenditures. No new programs should be instituted unless monies are used from within the current budget. Ohio already requires the OGA and Governor to balance the budget every year. However, they should utilize a performance-based budgeting process with clear goals and outcomes.
- C. The General Assembly should NOT impose additional business taxes as a way to pay for services.
- D. The General Assembly should repeal the estate tax and conform to the federal changes. States with lower tax burdens attract business and citizens.
- E. Currently there a number of tax incentive programs offered through the Ohio Department of Development (ODOD). However, most of them are for retention and expansion of larger companies. The Ohio Job Creation Tax Credit offers incentives to a business that creates at least 25 new jobs and pays a minimum of 150 percent of the federal minimum wage. Another incentive, the Ohio Job Retention Tax Credit, provides assistance to any company that employs at least 1,000 full-time employees. While we understand the need for these credits, and are not in favor of changing the CAT tax, we do believe that the state should offer similar incentives to smaller companies in Ohio (25-50 employees).

## Decision '06: COSE Small Business Issues Conference Tax Policy

Please rank what you feel the top small business recommendations should be. Number one should be your highest priority.

\_\_\_ A. Implement tax reform on-time and in-full

\_\_\_ B. Utilize a performance-based budgeting process with clear goals and outcomes

\_\_\_ C. Ohio General Assembly should not impose any new taxes to pay for services

\_\_\_ D. Repeal the estate tax

\_\_\_ E. Offer tax incentive programs for small business growth

\_\_\_ F. \_\_\_\_\_

\_\_\_ G. \_\_\_\_\_

\_\_\_ H. \_\_\_\_\_