



ohio

SMALL BUSINESS AGENDA 2021

NFIB • 10 W. Broad St., Suite 2450 , Columbus, OH 43215

Phone (614) 221-4107 • Fax (614) 221-8677 • www.NFIB.com/OH



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OHIO SMALL BUSINESS FACTS

2020 marked another record-setting year for the number of new business filings in the state of Ohio with over **160,000 recorded.**

(Source: Ohio Secretary of State)

The average cost to a small business from a data breach is **\$36,000.**

(Source: NFIB Small Business Playbook)

In 2020 there were 965,576 small businesses in Ohio employing over 2,200,000 workers, or **45.3% of the private workforce.**

(Source: US Small Business Administration)

The **5 most severe problems** for small business owners in Ohio are :

1. Cost of Health Insurance
2. Locating Qualified Employees
3. Finding & Keeping Skilled employees
4. Tax Complexity
5. Property Taxes

(Source: NFIB Research Foundation, 2020 Small Business Problems & Priorities)

Workers' compensation is a highly complex and often abused system in Ohio.

- A thorough review of the benefits injured workers receive is extremely critical to reducing costs to employers. The primary goal of the workers' compensation system is to appropriately and quickly treat an injured worker and get them back to work as soon as possible.
- Group rating, group retro and other discount programs are designed to provide an incentive to nearly 100,000 state-fund employers to aggressively manage claims and promote workplace safety. In the over 25 years since these programs began, they have saved Ohio's safest workplaces billions of dollars in workers' compensation premiums. These popular programs must be preserved.

Raising the federal minimum wage to \$15.00 would

cost 1.3 million jobs.

(Source: The Congressional Budget Office)

- When reviewing workers' compensation as a whole, we should look to the private sector to manage as many disciplines as possible. Two great models are claims management handled by third-party administrators (TPAs) and medical management handled by managed care organizations (MCOs). Both have brought significant savings to the system since their inception. There are a number of other BWC services that can effectively be delivered by the private sector, such as rehabilitation, safety, and hygiene services as well as auditing functions.
- The following are several changes, among many others, that can help bring further stability and predictability to our monopolistic workers' compensation system. Timely action will bring relief both in the short and long-term to the premiums Ohio's small employers pay.

The median income for self-employed individuals at their own incorporated businesses was **\$50,609.**

(Source: US Census)

BWC Fund – Resist efforts to “raid” the BWC fund to shore up other areas of state government. These are employer premiums and as such should only be used to pay compensation and medical benefits to injured workers or be returned to employers.

Permanent Total Disability (PTD) – When the first application has been adjudicated and denied, a claimant must prove new and changed circumstances before a second application can be made.

64% of small business owners

start with \$10,000 or less and 50% of small businesses are run from the owner’s home.

(Source: Smallbizgenius.net)

Permanent Partial Disability (PPD) – Contested permanent partial cases often result in a compromise between multiple medical reports on percentages of impairment. Require hearing officers to choose one amount instead of just splitting the difference, which is not based on medical fact.

PPD should not be paid when the allowance of a claim or of a condition is pending in a court – An application should not be accepted until all of the litigation is completed.

PPD should be a one-time award for an allowed condition – A claimant would be prevented from seeking additional percentage awards for the same condition.

Payment in suspended claims – If a claim is suspended for an injured worker’s failure to honor a proper request to appear for an examination or to permit access to medical records, benefits should be forfeited.

Provider Network – Require injured workers to see a BWC-certified provider to ensure a standard of care for better outcomes.

Women own approximately **1.1 million companies** in the United States, or 19.4 percent of all businesses. (Source: US Census Bureau)

NFIB has been a leader on tort reform efforts in Ohio and has seen a great deal accomplished in this area. However, creating certainty for employers is instrumental in fostering a predictable, healthy business climate for retaining and attracting businesses of all sizes.

• **Statute of Limitations on Written Contracts** – Ohio took a necessary step to reduce from 15 years (longest in the nation) to 8 the statute of limitations on written contracts. Moving to 6 years will make Ohio a leader in the country, reducing the tail on contracts will free up capital and provide stability to small businesses.

Small business owners are getting older. **51% of small business owners are over 50 years old**, while only 16% are under 35.

(Source: Small Business Labs)

- **Third-party lawsuit financing** – Ohio should evaluate the appropriateness of third-party non-recourse loans to fund litigation and their impact on litigants. Our civil justice system is stable and allowing individuals not a party to a case to interject and potentially delay resolution to obtain a larger settlement or judgment deteriorates our legal climate.
- **Ohio’s General Assembly should not weaken** or eliminate the many recently enacted civil justice reform statutes. Ohio’s reforms are recognized nationally as some of the most balanced. There are areas where clarification from the General Assembly may be appropriate. The Ohio Supreme Court has upheld many key provisions of Ohio’s comprehensive tort reform overhaul. Any attempts to undermine these decisions should be soundly defeated.

63% of small business employers offering Affordable Care Act coverage have experienced an increase in per-employee premium cost.

(Source: NFIB Research Foundation)

Employer mandates are particularly onerous for small businesses. The cost of compliance can be significantly higher than larger companies. Employment law is one of the fastest growing areas of costly litigation.

- Revisit COVID-19 liability protections passed in House Bill 606 (133rd General Assembly) to see if an extension beyond current expiration date of September 30, 2021, is appropriate.
- Creating new protected classes which increase employer liability should be carefully analyzed to evaluate necessity versus compliance and defense costs to small businesses.
- No new costly and burdensome employer mandates such as parental leave, predictive scheduling, and paid sick leave should be enacted.

73% of businesses are already providing paid time off benefits

that works for them and their employees.

(Source: NFIB)

ENERGY

The diversity of NFIB membership results in a wide range of energy use amongst members. Most small businesses are in the commercial class. Recently enacted legislation capped both residential and industrial customers, leaving commercial customers subjected to the PUCO ratemaking process. The cost associated with participating and intervening in PUCO rate reviews is prohibitive for the commercial class which may lead to a disproportionate burden of total rate allowance being borne by this group.

- NFIB members support repeal and elimination of subsidies, mandates, riders and benchmarks for any type of power source letting the free market drive energy practices and policy.
- Creating a small business advocate, like the Ohio Consumers' Counsel for residential customers, to give the commercial class representation during PUCO ratemaking.

A competitive, stable and predictable tax climate is critical to attracting and retaining businesses.

- Ohio's Business Investor Deduction (BID) has freed up capital for business expansion, purchasing, and employee investment. A majority of Ohio small businesses are pass-through entities thus these tax reductions directly benefit Ohio's job creators. Preserving this important small business tax policy should be paramount especially given how hard small enterprises have been hit during the pandemic.
- Prevent further carve-outs from commercial activity tax (CAT). They erode the base and leave fewer businesses paying this "privilege of doing business" tax.
- Raising one business tax to offset new tax cuts is not prudent policy. Increasing fees for licensure, business filings, permits, etc. is a tax increase.

For every \$100 spent at locally owned businesses,

\$68 stays in the local economy compared to only \$43 if spent at a national chain.

(Source: Civic Economics Study)

- Tax credits appear to be sound public policy, creating a means to attract businesses to the state and foster economic growth. Caution must be exercised when promoting tax credits to ensure a level playing field is maintained and existing businesses tax dollars are not being used to subsidize competitors.
- Consistency in directives and interpretations from state agencies should be prioritized. Changing the rules of the game and issuing retroactive fines and penalties is inappropriate.

72% of NFIB member businesses

have been in operation for more than 10 years.

(Source: NFIB)

Ohio's unemployment compensation system remains insolvent. As a result of the pandemic, Ohio has again had to borrow from the federal government to pay claims. Simply paying off the loan does not fix the long-term solvency challenges our unemployment compensation system faces. Absent meaningful reform that balances employer contributions with benefit payouts, Ohio will continue to borrow from the federal government during future economic downturns.

While Ohio's taxable wage base is below the national average, simply saddling employers with a massive tax increase and not addressing our benefit structure is pouring more money into a broken system.

There are a host of areas where Ohio can modernize our system, including:

- Eliminate the dependency provision, which is not required under federal law. Whether or not a claimant has dependents has nothing to do with the job and creates inequities among similarly situated employees.
- Freeze maximum benefit amounts until the fund achieves a minimum safe level.
- Weeks of eligibility should be reduced from 26 (one half of a year) to 20 (nearly five months). Average duration is 14.5 weeks in Ohio.
- Adjusting Ohio's taxable wage base to bring closer to neighboring states while remaining competitive.
- An achievable, reasonable solvency target should be instituted that allows Ohio to avoid future borrowing and prevents automatic employer tax increases.

During 2020 the pandemic negatively impacted the revenues of most small business owners by greater than 25%, many seeing **revenues decline by over 50%.**

(Source: NFIB survey of Ohio members)

For nearly 30 years, affordable and available health insurance has ranked as our members' top issue. State-imposed policies can lead to small businesses forgoing employee coverage. Elected officials should understand significant gaps in coverage that will remain as at least two-thirds of eligible Ohioans will not be impacted by state-imposed health insurance mandates.

- Impose no new or expanded state-imposed health insurance mandates.
- Establish a review process to determine the ongoing efficacy of all healthcare mandates. Require evaluation of alternative coverage options. Ensure mandates apply to all public employee benefit plans and Medicaid.
- Per the Affordable Care Act, Ohio must defray the cost of additional state-imposed health insurance mandates enacted after the end of 2011. Legislators should resist attempts to circumvent this by labeling mandates as "clarifications."
- Ohio should remove and not add greater burdens on health insurance plans than those required by the federal government on self-insured plans.
- Require disclosure of who will be subjected to new mandates when a bill is proposed.

In Site Selection's 2020 Top State Business Climate Rankings,
Ohio again placed third overall.

(Source: Site Selection Magazine)

Ohio small businesses created **44,523 net jobs** in 2019. Firms employing fewer than 20 employees experienced the largest gains, adding **29,132 net jobs.**

(Source: Small Business Administration)

A strong, skilled workforce is necessary to give Ohio an edge when it comes to competing in the global economy. Our members are struggling to find qualified workers to fill vacancies. Government and educational institutions should work hand in hand with the business community to understand their needs and tailor programs to meet them.

- Continue TechCred as a means for employers to receive reimbursement for upskilling their current and prospective employees with certificates and credentials. Also, evaluate expanding the program beyond just “tech” as the singular eligibility criteria. Maintain separate allocation buckets to ensure employers of all sizes can access these resources.
- Pass broadband expansion/access like that contemplated in House Bill 13 from the 133rd General Assembly. Critically important to ensure employers and their employees in unserved or underserved communities are not at a competitive disadvantage because of where they reside. The same is true for students. Government should find ways to constructively incentivize (and hold accountable) private industry to deliver last-mile broadband access to all Ohioans.
- Ensure a means to measure proficiency of individuals receiving a high school diploma. There must be some measure(s) graduates should demonstrate so employers have an understanding that an applicant holding a diploma has a basic knowledge base and skill set.
- Ohio should continue to better streamline existing workforce development programs under one single state agency. The current patchwork of programs deters small business owners from utilizing the benefits their tax dollars support.

Based on the flexible state-issued closure policies during the pandemic, **71% of NFIB members** were never forced to shut down during the pandemic, and only

6% were closed beyond May 31.

(Source: NFIB Survey of Ohio Members)

- Any changes or improvements in accessibility to workforce development programs should also include a focus on businesses that are already located in Ohio, not just on attracting new businesses.
- Enforcing existing law requiring business advisory councils in all school districts to ensure students understand employment opportunities in their local communities.

Ohio should foster an environment where all taxpayers have the chance to participate on public works projects. The government should not mandate requirements or restrict opportunities based on how a business is structured.

For business with fewer than 5,000 employees, the **average employment is 13 people.**

(Source: US Small Business Administration)

- **Business Fairness Act** – Legislation from the 133rd General Assembly prohibits the Ohio Director of Department of Health from issuing any statewide orders related to preventing the spread of contagious diseases that imposes different duties, obligations, requirements, or standards upon similarly situated businesses. Government, at any level, should not be picking winners and losers.
- **Preemption** – Patchwork laws create compliance frustrations for small businesses and inequity amongst similarly situated employees. Reaffirming the state is responsible for wages, and employers for schedules, leave policies, and other ancillary benefits will ensure uniformity across all jurisdictions.
- **Make project labor agreements (PLAs) and prevailing wage permissive.** Do not require nor prohibit these provisions but let the government entities issuing requests for proposals decide what is in the best interest of their communities. All able and willing bidders are due consideration, irrespective of whether they are union or non-union contractors, to ensure the best quality at the best bang for taxpayers.
- **Continue work on regulatory reform** including requiring a percentage reduction in the current number of regulatory restrictions in all state agencies.

The median income for a small business owner is around **\$59,000 per year**, with most people falling into the range of \$26,000 to \$153,000.

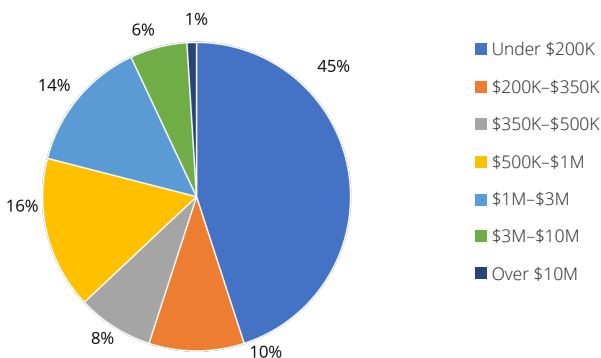
(Source: Payscale)

WHO IS NFIB IN OHIO?

- NFIB's mission is to promote and protect the right of our members to own, operate and grow their businesses.
- NFIB is the nation's leading small business association, representing our members in Washington, D.C., Columbus and the 49 other state capitals.
- Founded in 1943 as a nonprofit, nonpartisan organization, NFIB gives small and independent business owners a voice in shaping the public policy issues that affect their businesses.
- We have 21,000 small and medium-sized business members in Ohio. All NFIB member firms are independently owned and for profit.
- NFIB's powerful grassroots network of members send their views directly to state and federal lawmakers through our unique member-driven ballot results, thus playing a critical role in supporting America's free enterprise system.

More information about NFIB is available at
www.NFIB.com/OH

2020 NFIB MEMBERSHIP IN OHIO BY GROSS SALES



2020 NFIB MEMBERSHIP IN OHIO BY INDUSTRY

