



Ohio's

SMALL BUSINESS AGENDA

135th General Assembly
2023

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OHIO SMALL BUSINESS FACTS

In 2022 Ohio averaged over **15,000 new business filings** per month.

(Source: Ohio Secretary of State)

Data breaches are costing more than ever before, with an average cost of a data breach for small businesses at **\$108,000.**

(Source: Prowriters.com)

In 2022 there were 996,693 small businesses in Ohio employing over 2,200,000 workers, or **44.7% 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 and Keeping Skilled Employees
4. Tax Complexity
5. Property Taxes

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

Workers' compensation is a significant cost of doing business 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 state-fund employers to aggressively manage claims and promote workplace safety. In the over 30 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.

The Ohio Bureau of Workers' Compensation serves approximately 250,000 private employers with assets of over **\$22.5 billion**, the Ohio BWC is one of the largest state-run insurance systems in the United States.

(Source: Ohio Bureau of Workers' Compensation)

- 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 its inception. Several other BWC services 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.

In 2022 there were over **81,000 workers' compensation claims**

filed for private employers.

(Source: Ohio Bureau of Workers' Compensation)

WORKERS' COMP

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.

Base Rates – State-fund employers’ base rates should be actuarially based with a focus on collecting adequate, annual premiums. Annual rebates of excess premiums just means too much was charged.

All levels of government regulations cost

\$60,000 annually

per each small business.

(Source: NFIB Research Foundation)

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 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.

In Ohio, women make up **48.0 percent** of the workforce and own **41.5 percent** of businesses.

(Source: US Small Business Administration)

NFIB has been a leader in 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.

- **Clarify Tort Damage Caps** – The Ohio Supreme Court allowed for uncapped compensatory damages for noneconomic damages for permanent psychological injuries in a recent case. The ruling leaves the door open for lawsuits to flood the court system. The General Assembly should clarify that psychological injuries are not an exception and thus subject to the existing damage caps in law.

Lawsuit abuse costs have been extremely destructive to American businesses and harmful to consumers, wiping out an estimated **\$429.35 billion in overall economic activity**, equivalent to 2 percent of the overall U.S. economy.

(Source: ATRA's Citizens Against Lawsuit Abuse Program)

- **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.

The average U.S. small business owner is

60.3 years old.

(Source: Small Business Labs)

Seven out of 10 small business owners started their business with **less than \$20,000.**

(Source: NFIB Research Foundation)

CIVIL JUSTICE/ EMPLOYMENT LAW

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.

- Government should not be interfering in the employer/employee relationship. Business owners should retain the right to set the terms and conditions of employment that best suit their individual workplaces.
- 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 work for them and their employees.

(Source: NFIB)

ELECTION LAW

A representative republic relies on elected legislators to make laws. The ability to initiate a statute or a constitutional amendment from the general public should require significant protections to ensure special interests do not hijack Ohio's governing document or usurp the democratically elected state general assembly.

- Require signatures to be gathered in all 88 counties. Why should half the counties in Ohio be left out of the process?
- Establish signature gathering training and registration. Those gathering signatures should be trained in who is eligible to sign and be able to describe the subject of the petition they are circulating.
- Make petition circulators register with the Secretary of State and each county before circulating. This allows for the verification of the credentials of petition circulators.
- Explore limiting how frequently a rejected ballot initiative may be resubmitted to voters.

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 NFIB members in Ohio 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 another business tax to offset any associated costs is not a prudent policy. Increasing fees for licensure, business filings, permits, etc. is equal to 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: Small Business Administration)

- 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)

UNEMPLOYMENT COMPENSATION

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 payout, 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). The average duration is 14.5 weeks in Ohio.
- Adjusting Ohio's taxable wage base to bring it 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.

In Ohio, Unemployment Insurance revenue (exclusively employer paid) for the last 12 months brought in was

\$1,162,000,000.

(Source: Ohio department of Jobs and Family Services)

According to a 2021 report, the average annual healthcare insurance premium for small firms was

**\$7,813 for single coverage and
\$21,804 for family coverage.**

(Source: Kaiser Family Foundation)

ENERGY

The diversity of NFIB membership results in a wide range of energy use amongst members. Most NFIB members are in the commercial class. Recent, enacted policies have capped both residential and industrial customers, leaving commercial customers subjected to the PUCO rate-making 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 the repeal and elimination of subsidies, mandates, riders, and benchmarks for any type of power source letting the free market drive energy practices and policy.

- Create a commercial class advocate, like the Ohio Consumers' Counsel, for residential customers, to give small businesses representation during PUCO rate making.

HEALTHCARE

For over 35 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.
- Give employers a tax credit that equals the amount of premium attributable to state-imposed health insurance mandates and adjust annually for inflation.

WORKFORCE DEVELOPMENT/ EDUCATION

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. Evaluate expanding the program to additional disciplines beyond “tech” to meet the needs of Ohio’s employers. Maintain separate allocation buckets to ensure employers of all sizes can access these resources.
- Nearly 1 in 5 jobs require government permission to practice. Eliminate and/or reduce obstacles for licensure through assessing Ohio’s licensure requirements to ensure they are not overburdensome or too costly thus deterring individuals from pursuing their passions.
- Make the Department of Education & Workforce a cabinet-level agency allowing the Governor to appoint the head and ensure accountability on education. Make career tech a significant focus of this agency including an introduction to this curriculum during middle school years.

66% of small businesses hire for positions requiring a state license of certificate.

42% of small businesses hire for positions that require training in the skilled trades.

72% of small businesses do not hire for positions that require a college degree.

(Source: NFIB)

- 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 and enhancing the existing law requiring business advisory councils in all school districts to ensure students understand employment opportunities in their local communities via collaboration between the local business and education communities.

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

- Private Sector Workforce Mandate – Reject legislation that will dictate to private sector employers who they must employ. These decisions must be left to employers who know best how to run their operations in a safe, efficient, and cost-effective manner.

While most small businesses have no employees at all, 16% of small businesses have between one and 19 employees. And out of the 33.2 million small businesses in the US, **only 650,003 small businesses have between 20 and 499 employees.**

(Source: Forbes)

- Make Ohio a right-to-work state. Ohio will begin to lose out to our neighbors Indiana, Michigan, Kentucky, and West Virginia, all of whom are now right to work. Right to work permits employees the choice of whether or not to join a union; preserving the right to collectively organize.
- 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.

Ohio has **14,600 small business exporters** that generate 22.9% of the state's \$50 billion in total export revenue.

(Source: BoostSuite.com)

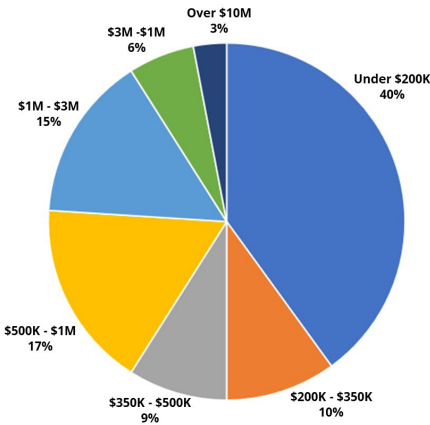
NFIB IN OHIO

- 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 business.
- We have nearly 20,000 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

2022 NFIB MEMBERSHIP IN OHIO BY GROSS SALES



2022 NFIB MEMBERSHIP IN OHIO BY INDUSTRY

