



ohio

SMALL BUSINESS AGENDA

134th General Assembly
2022

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OHIO SMALL BUSINESS FACTS

2021 marked another **record-setting year** for the number of new business filings in the state of Ohio with over 181,000 recorded by the end of November.

(Source: Ohio Secretary of State)

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)

60% of all businesses in Ohio have 20 or fewer employees.

(Source: US Census)

The **4 most severe problems** for small business owners in Ohio are :

1. Finding workers to fill open positions
2. Cost of Health Insurance
3. Unreasonable Government Regulations
4. State & Local Tax Complexity

(Source: NFIB)

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.

Founded in 1912 and with assets under management of approximately \$28 billion, the **Ohio Bureau of Workers' Compensation** is the largest state-operated provider of workers' compensation insurance in the United States.

(Source: Ohio BWC)

- 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. There are several 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.

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)

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. These dollars are constitutionally protected to fund the workers’ compensation system.

Base Rates – State-fund employers’ base rates should be actuarially based with a focus on collecting adequate, annual premiums. Any excess premiums should be refunded to state fund employers.

In the 2021, over **90% of Ohio members** responded to a survey that they raised wages and or benefits to attract/retain employees, and 22% plan for another increase. *(Source: NFIB Ohio Survey)*

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 evidence.

PPD should not be paid when the allowance of a claim or 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 workers’ failure to honor a proper request to appear for a medical 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.

Over 70% of NFIB members in Ohio reported **difficulty in finding candidates** to hire to fill open positions, with nearly 60% saying it was costing them additional sales opportunities. *(Source: NFIB Ohio Survey)*

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.

- **COVID Qualified Immunity** – Business owners need certainty that they will not face the prospect of unmeritorious lawsuits for Covid contraction or exposure. The Ohio General Assembly should reinstate the previously enacted, reasonable liability protections.

The average age of a business owner in the US is 50.3 years old, and they **earn 21% more** than the average U.S. population.

(Source: NAV)

- **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. 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.

- 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.

72% of NFIB member businesses

have been in operation for more than 10 years.

(Source: NFIB)

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 dynamic spikes to energy costs by 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 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 rate making.

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/Ohio members 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 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.

73% of businesses are already providing paid time off benefits

that works for them and their employees.

(Source: NFIB)

Ohio's unemployment compensation system remains insolvent. As a result of the pandemic, Ohio 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 employment compensation 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.
- Adjust 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 that triggers automatic employer tax increases.

Family businesses account for a staggering
**50% of the gross domestic product,
and 35% of Fortune 500 companies**
are family companies.

(Source: Gaebler.com)

For nearly 30 years, affordable 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. However if passed, ensure mandates apply to all public employee benefit plans and Medicaid.
- Establish a review process to determine the ongoing efficacy of all healthcare mandates. Require evaluation of alternative coverage options.
- 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.

Health insurance coverage is the
third most desired benefit
behind higher wages and paid time off.

(Source NFIB)

For small businesses, **providing health insurance to employees can be a significant expense.** The average annual health insurance premium for small firms, according to a 2020 Kaiser Family Foundation report, was:

- **\$7,483 for single coverage**, of which employers contributed \$6,297, or 84%.
- **\$20,438 for family coverage**, of which employers contributed \$13,618, or 67%.

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.
- Eliminate obstacles for licensure to get individuals in chosen professions sooner and grant reciprocity for those licensed in other states that meet Ohio standards.
- Ensure a means to measure the 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.

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

(Source: NFIB Research Foundation)

- 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.

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

(Source: Site Selection Magazine)

Ohio should be 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.

- Continue work on regulatory reform including requiring a percentage reduction in the current number of regulatory restrictions in all state agencies.
- Project labor agreements, or PLAs, discriminate against non-union shops by requiring union labor on projects. Forbidding state dollars to flow to public works projects that expressly require or prohibit a PLA will ensure that all able and willing bidders can participate in a project.

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

(Source: US Small Business Administration)

- 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 prevailing wage permissive. Do not require nor prohibit 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.

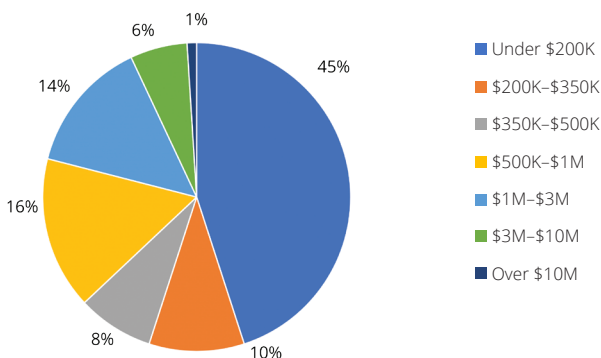
According to figures released by the US Bureau of Labor Statistics, as of November 2021, the number of self-employed people in the US came in at just under **ten million.** *(Source: Bureau of Labor Statistics)*

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 business.
- We have 22,000 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

2021 NFIB MEMBERSHIP IN OHIO BY GROSS SALES



2021 NFIB MEMBERSHIP IN OHIO BY INDUSTRY

