

Rhode Island Small Business Advocacy Council

Rhode Island Center for Innovation and Entrepreneurship

March 2nd, 2010

7:30 AM – 9:20 AM

Lieutenant Governor Roberts

- We need to commend the SBAC for past achievements.
- We shouldn't duplicate our efforts—we need to tackle new, unique issues.
- We also need to set priorities. Ideally, we will have 3 key issues to focus on by the end of this meeting.
- We must understand that there are limits to what we can do in 9 months, so let's be realistic about our expectations.
- Remember, if you have a desire to be an active participant in particular area, please let me know.

Matt Auten, Senior Policy Analyst

- To reiterate Governor Roberts' point, we needed to prioritize the importance of each issue and predict the amount of time necessary to implement its respective solution(s).
- Now is a good time to introduce yourselves.
Council participants proceeded to introduce themselves and their companies.
- Let us recap the six key issues raised at the economic summit, held on January 8, 2010
- They include: Regulations, Taxes and Budget, Access to Capital, Healthcare, Education, and Energy.
- At the end of the meeting, we will have the opportunity to discuss some areas that do not fall within these six categories.
- For each issue, there are threshold questions to consider: Is there an existing leadership effort on the issue? Will the SBAC add significant value to reform efforts if we decide to tackle the issue for the next 6 to 12 months?
- We also need to consider the variables:
How much impact will our solutions have on overall small business climate?
For example industry-specific solutions may not solve the "big problems."
How achievable are the necessary reforms?
- We will use this prioritization tool to map the level of potential impact and achievability for each reform proposal.

Open Discussion – (council member comments in italics)

- Mr. Auten:
We will first discuss permitting and regulations. Rhode Island ranked poorly in Forbes in the category of permitting and regulations.

- *The suggestions for solutions at the economic summit were more global than specific.*
- *I was told that the suggestions would be more specific.*
- *I don't believe that we have duplicated proposed recommendations. Our suggestions either supplement or support existing recommendations.*
- Mr. Auten:
 One suggestion proposed at the summit is to implement a statewide review of current permitting practices to identify timelines. To our knowledge, we don't have a specific timeline yet. We need such a timeline, as well as quantifiable data. Another suggestion is to research and issue a statewide best practices report to improve local permitting regulatory licensing processes and encourage standardization. In Massachusetts, they have regional planning agencies, with lots of localities doing lots of different things through regulatory practices. The 3rd point is streamlining commercial and industrial building and fire permitting processes by creating a statewide central office that can efficiently issue permits within predictable and rational timelines. We will need new state legislation to address this. The fourth suggestion put forth is setting review and decision deadlines for all permitting decisions and/or enforce them where they already exist. As such, we need to create compliance incentives. For example, if timeline isn't met, the city cannot collect fees
- *I have a question. Is there a book to find out exactly what is needed to go from A to Z? (Regarding proper regulation procedure)*
- *The answer to that is no. However, the Secretary of State is attempting to do make this a reality. The problem is that you need legislation for compliance. You need create health permits for food online, so there is no need for the health inspector to physically come every time. Requiring compliance with other agencies is difficult. In fact, there has been a strong pushback from Department of Health. We are trying to make it easier, but right now we are using carbon paper (laughs). In regards to the public safety permits, there is law where u can invoke a section 128; architects must comply with state law, or risk imprisonment.*
- *The idea of automatic approval of permits is implausible because then, they would be advocating construction not of public interest. We can work with existing components of the current laws and rules. We need a complete parallel with the fire code. Manpower is in the private sector. There is currently no penalty for not meeting deadlines...we absolutely need concurrent deadlines. Failure to comply should be enforced by legislation. There is a House bill proposal that reduces the fire code down to 15 days from 90. With the ramifications of failure, the applicant, not inspector, has options. The fee is reduced by 50 percent... We realized that many of these permits are way over \$100,000. We are paying a fee for service, but we're*

not getting any service. We can't have unsafe buildings, but we need expedient and predictable policy.

- *This is not impossible. Connecticut has been successful.*
- Lieutenant Governor Roberts:
We have a lot of anecdotal information, but we need quantitative data in order to perform comprehensive analyses and assess the potential for broad economic impact
- *This is a classic broken process problem, a Six Sigma problem. We must document facts and forget all the war stories.*
- *The problem lies in the conflicting points of view between state and local government. It's clear that we need a specialized office to provide solutions.*
- *We must separate permitting versus zoning. Getting land zoned is a whole different issue.*
- *We need one standard of regulations. There is conflict even within cities and towns. In West Warwick, the fire marshal would approve in one instance and deny in another!*
- *It is important to mention that we are not circumventing building or fire codes.*
- *Can cities and town do a self assessment? They need to provide it themselves, not us. We need the construction industry going again. We can't have a year between acquiring permits and starting construction. We need government to move at the speed of business.*
- Mr. Auten:
Other things we talk about are the implementation of electronic applications. This way, we can save time by utilizing simultaneous review. I am going to skip this point about customer-centric regulation for now, and we've already touched on the fee idea. Let's refer back to the prioritization tool...
- *Is the fire marshal in the right place? He should be moved to the Public Works department because fire departments have changed.*
- *I believe this is both highly achievable and high impact. We just need an entity to enforce it.*
- *We have a fundamental problem: there are just too many regulations. Regulations should be remade every 5 years so it is relevant to the times.*
- *There are 4 statutes that say this exactly. We just need to enforcement.*
- *The new piece of legislation that passed has only increased ambiguity.*
- *The existing ones need to be reviewed to eliminate ineffectiveness.*
- *Smaller businesses should get to know exactly where to go, how to get it done, etc. We don't have consultants, so we need one set of laws, permits.*

- Lieutenant Governor Roberts:
I hear about this the most. Until we present a coherent picture of what it's really like for businesses to get through this system, we can't achieve a solution. This is the tool that drives change. We need to see differences from town to town. This system costs the government money, just like it is costing small businesses money.
- Mr. Auten:
The next issues are taxes and budget. Let's focus on existing leadership. Is there a specific role that this group can play that isn't being done elsewhere?
- *We are making progress. Individual income tax proposal is our primary goal. We are currently at 9.9%, which is the highest in country. This proposal would drive it down to about 6%.*
- Lieutenant Governor:
There is lack of general understanding about taxes, between individuals and businesses. The business community should articulate the truth about small business tax rates.
- *Tax credits don't accomplish what they're supposed to accomplish.*
- *When we wanted to increase expenditures, everything came to a halt when tax talk came up. I have no intention of moving businesses out of the state...but I will have no choice but to leave if new taxes are implemented. The problem is that we need promote business. Garnering tax revenue from people is driving everyone crazy.*
- Lieutenant Governor:
Say this to people who are making these decisions. Change is coming regarding perspective and understanding. People need to understand tax policy and business; profits are impossible in this environment. This needs to be heard by people making these decisions. We need a functional regulatory system.
- *Other countries have federal regulations that come from the top, down. Here, federal, state, and local regulations do not talk to each other. This is the 15 minutes of fame for small businesses! We must advocate to the elected officials*
- Lieutenant Governor:
Everyone is raising taxes, across the country. This group has the ability to use its bully pulpit, but we need to realize that this group isn't going to make big changes like we can in the regulation spectrum.
- *There is this perception that rich people are getting away with murder. Obama doesn't understand it.*

- *We're putting cart before the horse. We've driving big businesses out of the state. I used to have a lot of big business clients, now I have zero. I could move my group out of the country and maintain my service company. If I was a good business person, I would do this. I want to be here, but the atmosphere is driving you out of the state. We need the big businesses here. Until they want to come here, we will fail.*
- Lieutenant Governor:
We want to change that environment and impression. Our goal is to recognize those frustrations, but we need to recognize how we impact the business climate.
- *I have noticed that in low tax areas, there is job growth, while areas with high taxes are plagued with job losses.*
- Lieutenant Governor:
Let's move on to healthcare. In this realm, there is an effort of particular focus. How we deal with health insurance exchange proposals? How we deal the sustainability of costs and coverage? I'm kicking off forums in efforts to reform the delivery and cost of healthcare system. We need to support the integration of information technology; there is currently huge federal funding for healthcare IT. I still can't believe businesses are paying so much for health coverage. If we don't get at this issue, we will be in big trouble. This process is ongoing on a few fronts; I encourage anyone with an interest to be involved
- *Legislation that has come about, regarding the transparency of broker fees. Another bill introduced is a requirement for transparency of hospital reimbursement. One hospital paid over 3 times more than another for doing the exact same thing. Contracts are always confidential, it should all be transparent. RI Foundation did a study about all the countries with successful healthcare programs. In all successful countries, there is a standard rate of reimbursement. On another note, you set a great groundwork, Lieutenant Governor.*
- Lieutenant Governor:
I'm mindful that for business, this is an expensive and arcane part of your businesses. You shouldn't need a specialist for providing healthcare; it should be simple and straightforward.
- *I pay a mortgage payment to BlueCross every month. Is there a measurable goal to reduce healthcare by a specific amount. Is there a way to stabilize healthcare? What's the end-goal?*
- Lieutenant Governor:

Some issues are demographically driven. I have a goal to get us to CPI nationally.

- *We need to change law on preexisting conditions. BlueCross used to say that we shouldn't hire old people and that's wrong.*
- *This group has the ability to be an agent of change for transparency. It's that basic.*
- *The business community, left to its own devices, will do better than the legislature. If you can get the business community to band together... One group that contains those hundreds of small businesses has a lot of power.*
- *I'm from Mass. We've done ok with insuring people, but not good with maintaining low costs. It's a huge problem. There have been 15 to 30 percent increases for small businesses. You can't just regulate yourself out of the problem. The first solution is transparency. The second thing we need to do is group buying to make differences across state lines. There is no silver bullet. We need to implement HSAs. In Indiana they have saved over 20 million dollars.*
- *We need one program instead of hundreds of different contracts. It all goes to transparency.*
- Lieutenant Governor:
I'm a believer in a single health insurance market. Our citizens go back and forth all the time.
- Mr. Auten:
Moving on to access to capital, we need to improve access by reinstating the Small Business Administration Loan Guarantee Fee Tax Credit. We also need to maximize the use of matching funds available; this will allow ample leverage. Going on, we should develop a fully integrated and coordinated service delivery system that eliminates the duplication of services. Eliminating duplication saves time, energy and maximizes returns. We should also increase small business representation on the Board of Directors. We will propose a specific implementation timeline in a month or so.
- Lieutenant Governor:
Remember our goal is to find 2 or 3 issues to focus on so we can really make progress within this group. Thank you for your participation, I hope you are engaged henceforth. This is an election year so potential for change is great.
- Mr. Auten:
Of these 6 themes, what are the most important issues?
- *Taxes is number 1*
- *Regulation and healthcare are something we can have an impact on. We are directly involved in these areas.*

- *Is there any possibility of permitting and regulation reform rolling? We need data and stuff, this is a priority for me at this point*
- *The recurring theme is consolidation. One permitting process would be able to set uniform expectations.*
- *Co-op to buy health insurance...doctors are not getting the money from pay hikes, insurance companies are.*
- *My main concern is that there are a number of companies that cannot afford healthcare for their employers.*
- Mr. Auten:
People are welcome to stay and talk amongst yourselves. We will meet in a month or so to discuss some specific steps.

Meeting Attendees:

- **David Lucier,** Lucier CPA
- **Peter Brockmann,** Brockmann Law
- **Nick Roach,** The Chemical Company
- **Colleen Burg,** Tech Collective
- **Don Nokes** NetCenergy
- **Scott Seaback** RI Temps Inc.
- **Chris Feisthamel** Dempsey & Co.
- **Sidney Goldman** Greylawn Foods
- **Gregg Mozzi** Mass Mutual
- **Jerry Meyer** E.G. Chamber
- **Sherri Carrera** RI EDC
- **Mark Deion** Deion Association
- **Paul Capuzziello** Capuzziello & Associates
- **Cap Willey** CBIZ Tofias
- **Fred Unger** Heartwood Group Inc.
- **Gary Ezovsi** Lincoln Environmental Properties
- **Robert Boisselle** Associated Builders & Contractors
- **Doug Jobling** RISBOC, Johnson & Wales University
- **Mark Hayward** US Small Business Administration
- **Robert Leaver** New Commons
- **Carmen Diaz** Center for Women and Enterprise
- **Claudia Cornejo** Secretary of State
- **Robert Catanzaro** Independence Bank
- **William Vernon** National Federation of Independent Business
- **Linda Arrieda** Downtown Bristol Business/Merchant Association