



NEW YORK STATE SENATOR

Jeffrey D. Klein

## IDC Releases Small Business Action Plan

JEFFREY D. KLEIN January 19, 2012

| ISSUE: **BANKS, ECONOMIC DEVELOPMENT, SMALL BUSINESS, ENERGY FOR SMALL BUSINESS**



### *Roadmap to Help Main Street Stems From ThoughtRaiser Initiative*

The Independent Democratic Conference today released a multi-pronged plan of action aimed at strengthening New York's economy by helping small businesses across the state.

This blueprint is the result of the IDC's ThoughtRaiser Initiative. The initiative was a series of small roundtable discussions with IDC members and their constituents on how government can best help improve their lives in New York. More than 75 small businessmen

and women participated.

“We need to stand by the small businesses that stood by New York,” said Senator Jeffrey D. Klein, (D-Bronx/ Westchester). “ In order to help grow our economy, we need to help those who have persevered through the bad times and kept their businesses and their jobs in our communities. By addressing the action items unveiled today, I believe New York can become a place where small businesses grow and prosper.”

Through the ThoughtRaisers, the IDC identified five areas where small businesses in New York struggle. These include: **Escalating Health Insurance Costs, Burdensome Regulations, Paying the Highest Combined Tax Burden in the Country, Limited Access to Credit, and Excessive Paperwork Requirements.**

“When you want to help keep Mom and Pop stores in New York, you go to Mom and Pop for advice,” said Senator Diane J. Savino, (D-Staten Island/ Brooklyn.) “Together, we identified problem areas and developed a commonsense plan that will help strengthen these small businesses and improve New York's economy.”

### **Escalating Health Insurance Costs**

New York small business owners spent \$10.4 billion on employee health insurance benefits in 2009, an amount that is expected to balloon to \$22.1 billion by 2018, according to the Small Business Majority and New York State Healthcare Foundation. Increasing health insurance costs was cited as a top concern by **88 percent** of ThoughtRaiser participants.

A prime opportunity to address these cost increases is through the impending creation of a Health Insurance Exchange, as required under the new federal healthcare law. In 2014, small

businesses will be able to purchase coverage through an exchange that is implemented by New York, or by default, the Federal Government.

The IDC recommends that New York seize the initiative and create an exchange that is focused on developing and offering low cost., high quality, health insurance options to small businesses. Specifically, New York's exchange should:

1. Reflect the diversity of New York businesses, by offering a variety of coverage options that fits businesses of every size.
2. Provide small business leaders with a seat at the table when determining what types of plans would be made available.
3. Empower small business owners to choose the health plan that works best for their employees and for their business.

A similar proposal was included in Gov. Cuomo's proposed 2012-2013 budget.

### **Burdensome Regulations**

In an October 2011 Gallup poll, U.S. small business singled out complying with government regulations as the most important problem that they faced. ThoughtRaiser respondents

reported that new rules and regulations from state agencies are often foisted on them with little -to -no notice. Last year, Senator David Carlucci, (D-Rockland/ Orange) passed legislation giving businesses accused of violating a new regulation a “cure period” to correct the problem before a fine is issued. The IDC is looking to build upon this law by proposing:

1. A review of regulations that at one time may have made sense to adopt, but – because of changes in the needs of the people of the state, or the advancement of the particular industry – are no longer needed.
2. Improving communication between state government and businesses that may be adversely affected by proposed regulations to be made aware of such regulatory activity and actively have a chance to show its adverse economic impact on its industry.
3. Adopting safeguards to ensure that new laws and regulations do not have an adverse regulatory impact on small businesses that outweighs the intended public benefit.

"Creating a climate in which businesses can thrive must be a top priority for New York this year," said Senator Carlucci. "Our policy recommendations offer real ideas and solutions that come from the real-life experiences of small business owners. Unleashing the entrepreneurial spirit begins with removing unnecessary red tape, bloated bureaucracy and making government work more efficiently. I look forward to working with small businessmen and women throughout the state to find new ways to drive job creation."

## **Paying the Highest Combined Tax Burden in the Country**

New York currently has the second-highest corporate income tax per capita in the country, and levies among the highest energy taxes in the nation. Businesses now pay average utility rates that are 52 percent higher than their competitors in other states. More than 25% of the typical New York business's utility bill is comprised of state imposed taxes, fees, and assessments. The IDC recommends:

1. A comprehensive review taxes and fees related to energy costs in New York both with regards to state imposed taxes and fees as well as hidden fees and skyrocketing delivery costs implemented by energy providers in New York.
2. Safeguards to ensure that legislation or regulations enacted in Albany address a legitimate public concern, or need, and are not used as backdoor revenue raisers.
3. The exploration of the use of tax credits to lower unemployment and incentivize hiring by small businesses.

## **Limited Access to Credit**

Federal statistics show that 66 percent of banks have reported restricting their available credit in 2010, limiting a key resource for small businesses to expand. In 2011, 55 percent of banks reported that their lending standards have remained unchanged. Some

ThoughtRaiser respondents reported going up to five, or six lending institutions to obtain a line of credit. Furthermore, respondents said they were unaware of existing state and federal programs to address this problem. The IDC recommends:

1. Creating an email notification system by which businesses within the state can sign up for an immediate notification of programs that could benefit them. This email notification could be financed with monies set aside for the “Open New York” program.
2. Investigating streamlining the larger government incentive programs, so the lag time between a small business participating in a program and receiving the benefits of a program are shortened, therefore encouraging greater participation.
3. Explore the possibility of a government backed revolving line of credit program that would be administered by the banks accessible to small businesses in good standing in New York.

### **Excessive Paperwork Requirements**

ThoughtRaiser respondents reported frustration with the amount of paperwork, permitting and licensing that is required of a small business to operate in this State. As a related issue, one business reported that: “Trying to obtain grants from New York State is worth less than the amount of time it takes to actually apply for them.” The IDC recommends:

1. Working to have more applications available and able to be filed online to make the process more efficient and the processing time shorter
  
2. Allowing existing small businesses to be able renew pertinent permits online similar to the ability of new businesses being able to apply online through the state's On Line Permit Assistance and Licensing system.
  1. Developing a system where existing businesses that are expanding, and are in good standing with the State, are able to bypass some permit and application processes if they already filled out similar applications for their existing business.

**Kevin Cacace, President of the Yonkers Chamber of Commerce, said:** "Our communities are only as strong as our Main Streets. I commend the Independent Democratic Conference for listening to what our small businessmen and women have to say and for working to turn New York from a place where small businesses flee, to a place where small businesses thrive."

**John Mancuso, Owner of Silvestro's Deli & Catering on Staten Island, said:** "I commend these efforts to help small businesses thrive in this dying economy. Being a small business owner in the State of New York isn't what it used to be. It is becoming more and more difficult to survive on a day-to-day basis. One of the main concerns that I, and many business owners, have is high health insurance costs for our employees. With these high costs, it is difficult to

supply ourselves and our employees with adequate coverage. Something so important, is so very difficult to obtain. My hope is that these small business ThoughtRaisers will help bring a plan into fruition that will help small businesses care for their employees. With this kind of plan in action, New York can become a national model. I thank Senator Savino and her colleagues for acknowledging the important issues within the small business community."

**Linda Baran, President and CEO of the Staten Island Chamber of Commerce, said:** "Throughout this tough economic climate, numerous businesses have managed to remain open on Staten Island, despite increasing health care costs, difficult regulations, limited access to credit, and excessive fines and taxes. In order to prevent the loss of businesses, the Staten Island Chamber of Commerce is committed to advocating for small businesses and supports the policy and legislative initiatives put forth by Senator Savino as part of the Independent Democratic Conference."