

SMALL BUSINESS COMMISSION

Friday, May 22, 2009

Richmond, Virginia

Overview.

The Small Business Commission ("Commission") met in Richmond, Virginia, on May 22, 2009, and was presided over by the Commission's co-chairmen, Delegate Jeffrey M. Frederick and Senator W. Roscoe Reynolds. Senator Reynolds gave brief opening remarks to begin the meeting.

Presentations.

I. 2009 General Assembly: Review of Bills Affecting Small Businesses.

Commission staff presented a review of some of the bills that were introduced during the 2009 Session of the General Assembly that would impact small businesses, including both bills that were and were not ultimately enacted into law.

The primary focus of the presentation was House Bill 2024 (Marshall, D.W.) and Senate Bill 1411 (Watkins), both of which were enacted into law. These bills dealt with the availability of basic health insurance, i.e., the sale of health insurance policies that do not include all of the state-mandated benefits.

These bills can be viewed as the successor to the legislative proposal endorsed by the Commission during the 2008 interim dealing with the sale of mandate-lite insurance. In fact, Del. Frederick's and Sen. Reynolds' bills (House Bill 2209 and Senate Bill 920) introduced at the recommendation of the Commission were incorporated into the two bills that ultimately passed. Like the legislative proposal recommended by the Commission, House Bill 2024 and Senate Bill 1411 allow insurers to offer group health insurance policies or contracts that do not have to include all or some of the state mandated health insurance benefits to employers with at least two but fewer than 50 employees.

There were some substantive differences between the final version of the bills enacted into law and the legislative proposal recommended by the Commission. First, the Commission recommended that such mandate-lite insurance policies could exclude all state-mandated benefits, however four exceptions to this exclusion were included in the bills. The four mandated benefits that still must be included in these insurance policies: (i) mammograms, (ii) pap smears, (iii) PSA (prostate specific antigen) testing, and (iv) colorectal cancer screenings. As passed the General Assembly, neither bill contained any exceptions, however the Governor sent down recommendations to add eight exceptions to Senate Bill 1411, of which the General Assembly accepted these four.

The second substantive difference between the final version of these bills and the Commission's recommendations was the elimination of a six-month waiting period used

to determine eligibility. According to the Commission's recommendations, an employee could not have had insurance coverage, or could not have been eligible for coverage, for the six months preceding the date of application for a mandate-lite policy. The final bills have removed that six month period, again at the recommendation of the Governor with the concurrence of the General Assembly.

The other bills that were included in the presentation and were enacted into law were:

- Senate Bill 1495 (Locke): Unemployment compensation; voluntarily leaving employment to accompany military spouse.
- Senate Bill 1264 (Norment): Wages and salary; employer to pay by credit to prepaid debit card or card account.
- House Bill 2672 (Herring): Department of Minority Business Enterprise; definitions to include individual who is a U.S. citizen or legal resident.

The other bills that were included in the presentation and were not enacted into law were:

- Senate Bill 1133 (Petersen): Estate tax; reinstatement.
- Senate Bill 1443 (Martin): Tax credit for health insurance premiums paid by small business employers.
- House Bill 1815 (Morrissey): Questioning employees about criminal convictions; prohibition.
- Senate Bill 1220 (Obenshain): Securities Act; sale of business doctrine.

II. Enhancing Services for Small Business: Who Will Lead?

Lynda Sharp Anderson, Director of the Virginia Department of Business Assistance (VPBA) made a presentation on the availability of services for small business in Virginia and her department's role in providing such services. Ms. Anderson noted the importance of small businesses in Virginia. Small businesses constitute 97.5 percent of all existing business establishments in Virginia and account for approximately 75 percent of new job growth. She further stressed that the diversity among small businesses help to protect against severe economic swings and their continued vitality help to attract new businesses.

In light of the importance of small businesses to the Commonwealth, Ms. Anderson proceeded to discuss the needs of such businesses. She noted that the major categories of business needs include information, resource identification, access to markets, access to capital, and expansion assistance. Ms. Anderson stated that Virginia offers many programs and services to meet these needs, however there still exists some areas that could be improved upon, including fragmented program and service delivery and the lack of a lead department or agency coordinating the programs and services offered to the small business community. Ms. Sharp commented that at least 26 different state governmental agencies or departments deal with small businesses in some fashion.

Ms. Anderson then explained in detail the role of the VDPA and its current structure. The VDPA has three primary components, the first of which is the Virginia Jobs Investment Program. This Program provides recruiting, screening, and training assistance for new and existing companies. The second component is the Virginia Small Business Financing Authority which oversees eight direct and indirect loan programs. Ms. Anderson noted that the scope of these loan programs is affected by the fact that the Authority has not been recapitalized since it was first organized. The third component are the business information services the VDPA provide to small businesses, including educational workshops and seminars.

Ms. Anderson concluded her presentation by raising general questions about the role the VDPA and the Commonwealth should take in supporting small businesses. A general discussion with the Commission ensued. Ms. Anderson was asked by the Commission to come up with specific recommendations that the VPBA would like the Commission to consider. Ms. Anderson agreed and stated that she would be ready to present such recommendations within 60 days.

Member Discussion and Work Plan.

The members agreed to consider the recommendations of the VDPA at a subsequent meeting after they are made available. The co-chairs also requested staff to distribute copies of two bills that were referred to the Commission for study during the 2009 Session of the General Assembly. These bills are House Bill 2026 (Marshall, D.W.), dealing with the creation of the Employee Voluntary Accounts Program, and House Bill 2121 (Nichols), dealing with the Public Procurement Act and the federal Electronic Work Verification Program.

Future Meetings.

The Commission plans to hold several more meetings prior to the start of the 2010 Session of the General Assembly.