

Small Business Commission
October 27, 2006
Roanoke, Virginia

The Small Business Commission's purpose is to study, report and make recommendations on issues of concern to small businesses in the Commonwealth. The first meeting of the 2006-2007 interim was conducted at the Roanoke Higher Education Center.

In furtherance of its statutory duty to provide small business owners and advocates with a forum to address their concerns, the Commission began its meeting with a one-hour public hearing. Topics identified by the five individuals who spoke at the public hearing include:

- While the Commonwealth offers incentives for new enterprises, it does very little to assist existing small businesses.
- Funding for the Enterprise Zone program needs to be increased.
- Management of the Enterprise Zone program should be revised to allow participants to determine, prior to the end of each year, whether the program has sufficient money to fully fund the authorized incentives.
- Encouraging small wineries by allowing direct distribution to stores and restaurants.
- Greater access to loans, generally of between \$100,000 and \$250,000, from venture capitalists or "angel" lenders, to finance expansion after they have been in existence for several years, which could be accomplished by tax credits targeted at these investors.
- Targeting "scams" directed at entrepreneurs starting small businesses or seeking to market inventions.
- Simplifying the paperwork required to qualify for the state procurement program for small, women- and minority-owned businesses.
- The affordability of health care.

Gordon Dixon of the National Federation of Independent Businesses introduced the issue of the rising cost of health insurance provided by small employers to their employees. The NFIB spokesman reported that the organization's members rated health insurance issue as their most important issue. He urged members to keep the current free market system, which was praised as a better alternative than a single-payer. Members were asked to remember when they consider requests for additional mandated health insurance benefits that mandated account for an estimated 25 % of the cost of insurance, and large companies have exempted themselves from Virginia's mandate laws by self-insuring. He noted that rising costs are causing a decline in the percentage of employers that are offering health insurance to their employees. NFIB member companies providing this benefit for their employees have fallen from 72 % in 2002 to 65% in 2005. In response to a question from Delegate Frederick, Dixon reported that it was too early to tell if House Bill 761, the legislation enacted in 2006 authorizing small business health insurance pooling, has been successful.

Doug Gray, Executive Director of the Virginia Association of Health Plans, briefed the Commission on health insurance issues. Health insurance affordability is related to the number of uninsured persons and the cost and demand for health care services. He identified

demographics and medical advances as two major factors driving costs. Other drivers include mandates and regulations, litigation costs, and waste, fraud and abuse.

Gray identified four policy options and marketplace developments that may address the rate of health care cost increases. To be successful, they will require the insured to have some "skin in the game," or have an incentive to hold down costs by bearing a part of the results of using the system. The options and developments include high deductible health plans, health savings accounts, consumer-driven health care with employer-funded annual allowances for workers' medical expenses, and "mandate-lite" plans. Gray observed that marginal change in the marketplace is beginning to occur, and cited the growing acceptance of high deductible health plans and health savings accounts as beginning to promote consumer-directed health care in Virginia.

Nicole Riley, Special Assistant for Legislative Affairs, provided the Commission with an overview of the Attorney General's Regulatory Reform Initiative. The Government and Regulatory Reform Task Force, a 28-member panel comprised of business and community leaders, will review Virginia's regulatory framework to find regulations that can be improved or removed. Its goals include ensuring that regulations do not unnecessarily hinder free enterprise or place undue costs on Virginia taxpayers. The process by which regulations are adopted and revised will also be reviewed.

The Attorney General has established working groups in the areas of Agriculture, Healthcare and Small Business. The working groups are charged with making recommendations to the Task Force on reform of regulations in these three areas. The working groups are scheduled to finalize their recommendations to the Task Force by December. The Task Force's interim report on these three issue areas is due to the Attorney General in December or January.

Joyce Waugh of the Roanoke Regional Chamber of Commerce provided the Commission with the results of the group's annual business climate survey. The top five concerns of members are regional economic growth, quality public education, skill level of the workforce, health care costs, and retaining young people in the region. Other issues identified by respondents included zoning and land use concerns, the cost of air service, unemployment insurance, school safety, and the cost of workers' compensation coverage.

She also identified several issues raised by the Virginia West Coalition, including the Enterprise Zone Program, funding for the Department of Business Assistance's Workforce Services program, taxes, and possible immigration control legislation. It was specifically recommended that the Department of Taxation send retailers, by e-mail, notice of changes in rules and rulings pertaining to the sales and use tax. While this information is on the Department's website, it is not presented chronologically. Under the current system, notice of administrative changes may be included in the back of the retailer's coupon book, and may easily be overlooked.

The Commission indicated that it will hold several meetings next year outside Richmond. Northern Virginia and Hampton Roads were mentioned as possible sites. Several members indicated that while it was beneficial to survey issues of concern to the small business community, they would like to focus in greater depth on a single issue.

The Commission plans to meet again prior to the start of the 2007 General Assembly Session. At that meeting, the Commission plans to review legislation affecting small businesses in the Commonwealth.