



Senate Task Force on  
Small Business Growth and  
Development

**Final Report**

March 2010

March 12, 2010

The Honorable M. Teresa Paiva Weed  
President of the Rhode Island Senate  
State House  
Providence, RI 02903

Dear President Paiva Weed:

On behalf of the Special Senate Task Force on Small Business Growth and Development, we hereby submit this Final Report. Our focus was on regulatory reform and our recommendations, if implemented, will streamline government processes and enhance the voice of small business in our state.

Our Report represents the combined input of our Task Force members and all of the small business owners, government representatives, Chamber of Commerce representatives, and others who testified before the Task Force to share their expertise and perspectives on how best to assist small businesses in the state of Rhode Island. We owe all who participated our sincere gratitude for giving so much of their time. We also want to thank the RI Office of the US Small Business Administration for working as our partner in this effort.

The Task Force has worked to formulate recommendations that would have a real and immediate impact on improving the small business climate, and related job development, by decreasing the regulatory burden facing small businesses. We believe strongly these recommendations will help make it easier to start, grow, and succeed as a small business in the state of Rhode Island. Please note that other critical small business concerns were raised to the Task Force, particularly regarding the shortage of capitalization funding and a qualified workforce. While these issues did not fall into the state regulatory arena we were charged to review, we strongly recommend that the Senate take an active role in addressing these two issues in the 2010 legislative session.

We hope that this Report serves as a starting point for the positive changes you prioritized when you announced the formation of the Task Force in the Summer of 2009. We thank you for the opportunity to serve on this Task Force and look forward to continuing our work together to help businesses of all sizes reach their full potential in the state of Rhode Island.

Respectfully submitted,

Senator Erin P. Lynch, Task Force Chair  
District 31 – Warwick

Senator Joshua Miller  
District 28 – Cranston, Warwick

Senator Daniel P. Connors, Senate Majority Leader  
District 19 – Cumberland, Lincoln

Senator Harold Metts  
District 6 – Providence

Senator Leo Blais  
District 21 – Coventry, Foster, Scituate

Senator William Walaska  
District 30 – Warwick

Senator Elizabeth Crowley  
District 16 – Central Falls, Pawtucket, Cumberland

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**Special Senate Task Force on Small Business Growth and  
Development**

**Membership**

Senator Erin Lynch – Task Force Chair  
District 31- Warwick

Senator Daniel Connors –Senate Majority Leader  
District 19- Cumberland, Lincoln

Senator Elizabeth Crowley  
District 16- Central Falls, Pawtucket, Cumberland

Senator Harold Metts  
District 6- Providence

Senator Joshua Miller  
District 28- Cranston, Warwick

Senator William Walaska  
District 30- Warwick

Senator Leo Blais  
District 21- Coventry, Foster, Scituate

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## EXECUTIVE SUMMARY

Recognizing that small businesses are the key to job growth, and therefore, economic recovery in Rhode Island, Senate President Paiva Weed and Majority Leader Daniel Connors commissioned the Senate Task Force on Small Business Growth and Development. The Task Force, chaired by Senator Erin Lynch, was charged with studying the challenges facing small businesses and making recommendations to eliminate or decrease state bureaucratic hurdles and delays.

The Task Force's major findings are:

- Rhode Island Must Reform It's Often Redundant and Slow Regulatory Structure
- Economic Development Efforts in the State Must be Coordinated and Focused on Attracting, Retaining, and Growing Small Businesses
- State Purchasing Rules Must Change to Allow Smaller Rhode Island-Based Vendors a Greater Opportunity to Participate in State Contracts

In response to these findings, the Task Force recommends that the Senate pass legislation to:

1. **Fund the Web-Based Master Application to eliminate duplicative paperwork.**
2. **Enable multiple state agency regulatory reviews to proceed concurrently.**
3. **Standardize application of the state fire code.**
4. **Require state regulatory agencies to render regular written status reports on pending applications.**
5. **Strengthen the voice of small business on the RI Economic Development Corporation (EDC) Board and the State's Apprenticeship Council.**
6. **Enhance the role of the EDC Ombudsperson to include regulatory reform oversight and advocacy for small businesses in the regulatory process.**
7. **Give preferences to Rhode Island small businesses in state contracting.**

"The best answers and solutions at these hearings are going to come from the businesses themselves. Whether the idea is a uniform application process or elimination of duplicate regulation – the ideas do not necessarily have to be major to have a very positive impact."

Senate President Teresa Paiva Weed  
District 13, Newport, Jamestown

# INTRODUCTION

Small businesses play a critical role in Rhode Island's economy, providing the economic base, and local character, for many Rhode Island communities. Recent data from the federal Small Business Administration indicates small businesses represent 96.5% of the total employers in the State of Rhode Island, with 57.1% of Rhode Island's private-sector employment provided by small businesses, as compared to the national average of 50.4%. This makes Rhode Island more dependent on small businesses for job growth than many other states. Unfortunately, business development and job growth in RI had been in decline for several years before the current economic downturn, and has only gotten worse since the 2008- 2010 recession began.<sup>12</sup>

Recognizing that small businesses are the key to job growth, and therefore, economic recovery, in Rhode Island, Senate President Paiva Weed and Majority Leader Daniel Connors commissioned the Senate Task Force on Small Business Growth and Development. The Task Force was charged with studying the state regulatory challenges facing small businesses and making recommendations to eliminate or decrease bureaucratic hurdles and delays to small business growth.

This document represents the final report of the Special Senate Task Force on Small Business. Numerous business owners and groups, and department and agency representatives provided testimony, presentations, opinions, and assistance to the Task Force through a series of meetings held between September 2009 and March 2010. These included a special hearing of the Senate Task Force held in conjunction with the US Small Business Administration to receive the recommendations of the 2010 Small Business Summit in Rhode Island.

Many professional analyses indicate that our state's economic recovery will be driven almost exclusively by small business. Decreasing bureaucratic delays, reforming uncoordinated or duplicative regulatory filings, and reducing the associated added costs to businesses is critical if small businesses are to grow jobs in this state. The Task Force is confident that the recommendations outlined herein achieve this goal and will help the continued development of businesses and jobs in the state of Rhode Island.<sup>3</sup>

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<sup>1</sup> Small Business Administration State Profile <http://www.sba.gov/advo/research/profiles/08ri.pdf>

<sup>5</sup> RI'S Economy Recovery Depends on Small Business. Small Business Administration  
<http://www.reuters.com/article/pressRelease/idUS246683+23-Jan-2009+BW20090123>

# STATUS OF SMALL BUSINESS IN RHODE ISLAND

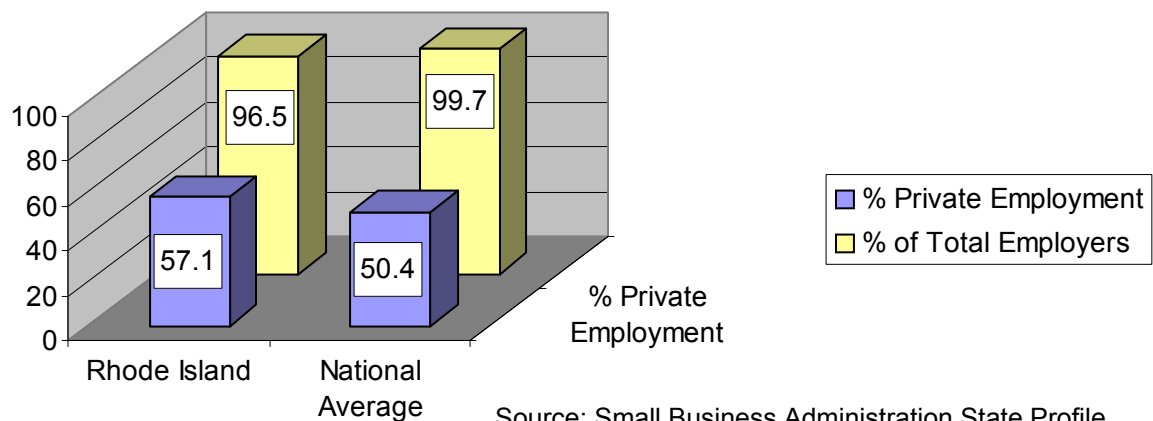
## FORBES MAGAZINE: The Best States for Business 2009

Overall rank	State	Business Costs Rank	Labor Rank	Regulatory Environment Rank	Economic Climate Rank	Growth Prospects Rank	Quality of Life Rank
1	Virginia	20	3	2	18	12	1
19	New Hampshire	41	5	46	26	5	4
21	Delaware	5	12	26	40	39	36
32	New York	46	30	17	18	35	13
34	Massachusetts	48	16	22	33	40	2
35	Connecticut	45	18	33	31	37	3
41	Maine	44	25	32	39	28	19
47	Vermont	43	13	44	49	42	9
49	Michigan	39	46	6	50	50	30
50	Rhode Island	40	35	50	48	18	21

Rhode Island - Net Job Change by Firm Size, 2003–2006 (Nonfarm)								
	Total Net	Employment Size of Firm						
	New Jobs	1-4	5-9	10-19	20-99	100-499	<500	500+
2003-2004	7,260	4,397	1,244	1,578	2,339	814	10,372	-3,112
2004-2005	3903	2,128	387	-376	-1,359	-905	-125	4,028
2005-2006	-1,868	3,399	-31	-83	-1,395	-1,657	233	-2,101

Source: U.S. Dept. of Commerce, Bureau of the Census.

## 2008 Small Business Employment Comparison



Source: Small Business Administration State Profile  
<http://www.sba.gov/advo/research/profiles/08ri.pdf>

## FINDINGS AND RECOMMENDATIONS

The Senate Task Force on Small Business Growth and Development endorses the following findings and policy recommendations. Effectively implemented, these recommendations would help decrease the regulatory burden facing small businesses by: expediting the regulatory review process; providing a greater voice for small business in regulatory and policy development; prioritizing Rhode Island-based vendors in state purchasing; ensuring consistent enforcement of the state fire code; and developing a comprehensive single filing system for state application forms.

### **Finding #1: Rhode Island Must Reform It's Often Redundant and Slow**

#### **Regulatory Structure**

The following state policy changes are recommended:

- 1. Fund the Web-Based Master Application System to eliminate duplicative paperwork.** The Task Force has committed itself to working with the Secretary of State's office on making a Statewide Master Application system a reality. The web-based system would eliminate repetitive processes and form duplication by using a single electronic front-page system to obtain information and populate all necessary forms and applications to satisfy different state agencies' regulatory processes.
- 2. Enable multiple state agency regulatory reviews to proceed concurrently.** The lack of concurrent review of applications and data causes delay that often deters business growth. The Task Force recommends legislation that would allow state agencies to conduct simultaneous or collaborative regulatory processes to allow multi-agency review to proceed concurrently.
- 3. Standardize application of the state fire code.** Differing interpretations of the state fire code on the local level cause delays, expense, and frustration for small businesses. While the State Fire Marshall has begun to address these issues, the Task Force recommends a statutory mandate to standardize the training of deputy fire marshals and thereby, the application of the code throughout the state.
- 4. Require state regulatory agencies to render regular written status reports on pending applications.** The state currently has a law that allows for expeditious review of filings related to projects deemed of "critical economic concern" to the state. While this law is rarely used, it offers a template to make all reviews of importance require notification to applicants on the status of state applications every 60 days until final disposition.
- 5. Expedite state building code approvals,** in accordance with RI General Law § 23-27.3-128.5.1, that allows the waiver of state examination when the plans for the erection or alteration of a building are prepared by a professional engineer or architect who certifies them and supervises for code compliance.



**Finding #2: Economic Development Efforts in the State Must be Coordinated  
and Focused on Growing Small Businesses**

Businesspersons and government officials who testified before the Task Force appeared in agreement that while the State of Rhode Island offers several high-quality programs to assist small businesses, the variety of available state, federal, and municipal economic development programs appear uncoordinated and/or under-funded. Furthermore, while some activities are specifically designed to help small businesses, the general focus of the State Economic Development Corporation has appeared to be on attracting large businesses to the state, rather than in cultivating and growing those small businesses that are already located here. Calls were made to refocus the EDC to: work with the local and regional chambers and economic development authorities to respond to small business needs; provide assistance to small businesses attempting to navigate the bureaucracy of state and local government; and provide a strong voice of advocacy for small business in economic development policy-making in the state. Passage of legislation is recommended to:

**1. Strengthen the voice of small business on the RI Economic Development Corporation (EDC) Board and the State’s Apprenticeship Council.**

At the Small Business Administration summit, the Task Force was asked to ensure that small businesses have a greater voice on the RI Economic Development Corporation Board, and therefore, in state policy-making. Also, consistent with testimony received, the Task Force recommends legislation to add a small business representative to the State Apprenticeship Council.

**2. Enhance the role of the EDC Ombudsperson to include advocacy for small businesses in the regulatory process and coordinating small business assistance in the state.** Efforts to refocus the EDC are beginning under the leadership of the new director. The Task Force supports enhancing responsibilities of the EDC small business ombudsperson to include:

- Working with local economic development bodies, small business assistance centers, and regional Chambers of Commerce to better coordinate activities around economic development and business assistance.
- Establishing a formal process to study the impact, effectiveness, and necessity of any proposed or existing rule and regulation affecting small businesses.
- Addressing the shortage of women and minority owned businesses in the state (which is often a detriment to obtaining federal contracts)
- Communicating with RIPTA to ensure that public transit routes connect jobs and workers.

**Finding #3: State Purchasing Rules Must Change to Allow Smaller Rhode  
Island-Based Vendors a Greater Opportunity to Participate in State Contracts**

While state purchasing practices adhere to the mission of obtaining quality goods and services at the lowest cost to the taxpayer, state policy may overlook the net benefits of awarding a contract to a Rhode Island-based vendor that will result in the preservation or addition of local jobs. Furthermore, provisions such as master contracting, whereby a number of smaller bids are combined into one large one, can shut out small vendors who may have been able to provide the lowest bid on a *section* of a contract, but who are ineligible because they cannot service the entire contract.

1. **Give preferences to Rhode Island small businesses in state contracting.** The Task Force supports legislation that will give preferences to Rhode Island businesses in certain state contracting and bidding processes, including that prepared and supported by the Lieutenant Governor.

**Critical Concerns Beyond Rhode Island's Regulatory Structure  
Need to Be Addressed**

While the charge of the Senate Task Force on Small Business Growth and Development was an examination of Rhode Island's regulatory environment and its impact on small business growth, the Task Force would be remiss if it failed to mention the continuing concerns expressed in testimony about:

1. The availability of capital and investment funds for small businesses;
2. The accessibility and skill level of the state workforce; and
3. State tax policy as it pertains to small business development.

The Task Force supports the ongoing work of the Senate Finance Committee, the Economic Development Corporation, and the CCRI 21<sup>st</sup> Century Workforce Commission in responding to these concerns. Making affordable capital available to small businesses, promoting a balanced and supportive tax structure, and ensuring all Rhode Island workers have the skills necessary for success in today's global economy are critical to ensure that businesses of all sizes can start, grow, and excel in the State of Rhode Island.

## SUMMARY OF TESTIMONY

September 29, 2009

**Jan Eckhart, Sweet Berry Farm, Middletown, RI** –Mr.

Eckhart remarked that agriculture is a fast growing industry in RI, but one that is often overlooked. In the last five years Mr. Eckhart has noticed his farm is drawing not just from the local area but also from the larger surrounding region, partly because ‘agritourism’ is such a growing industry. From Mr. Eckhart’s perspective, personnel cutbacks across state government have been difficult for small businesses, particularly farms – inspections are hard to schedule, paper work is slow to process, and phone calls are rarely returned. Mr. Eckhart commented that regulatory reform is important.

“The fact is that most people in Rhode Island work for small businesses, and we must make it easier for these businesses to grow and thrive. If each small business in the state added just one new job, that would be a true game changer.”

Senator Majority Leader Daniel P Connors  
District 19, Cumberland, Lincoln

“This Task Force will help to break down barriers so that state and local government departments and agencies can better assist the small businesses that make up 96.5 percent of the employers in our state.”

Senator Erin Lynch  
District 31, Warwick  
Chair- Senate Task Force on Small Business Growth and Development

**Rich Paolo, Pamfilio’s Deli and Catering, Cumberland, RI** –Mr.

Paolo testified that he gets a bad feeling when interacting with the government- the processes are very difficult and do not necessarily have to be. Mr. Paolo made a list of all the different licenses and fees that he pays as a small deli.. Mr. Paolo used the state inspection of his water heater as an example. He considers this a requirement that could be handled in a less intrusive manner.

**David Lahousse, The Lodge Pub and Eatery, Lincoln, RI; Kay’s Restaurant, Woonsocket, RI** –Mr.

Lahousse believes the state needs to get rid of many excessive fees, or at least lump some of these fees into others to streamline the process. In terms of direct contact with state government, Mr. Lahousse has dealt with the Departments of Health, Taxation, and Workers Compensation, and had a generally good interaction with each, but the numbers of uncoordinated state regulations are a real challenge.

**Brent Ryan, Coastal Extreme Brewing Company, Newport, RI** –Mr. Ryan does not have someone to sit at a desk and file the required regulatory paperwork all day; recommending that the state consider having a single renewal date each year; providing a relatively simple process to complete all regulatory filings at once. The state needs to help process these forms in a timely fashion and develop more specific rules to eliminate ambiguity. The company reviewed and adhered to the national fire protection code, but each municipality interprets the state fire code differently. Having all of these disparate regulations, across the state and city and town lines, brought under one umbrella was suggested. Most small businesses deal with multiple towns and there is little uniformity among these local fire regulations.

**Philip Pappoojian, Mereco High Technology Manufacturing, West Warwick, RI – Mr.**

Papoojian introduced himself as managing director of the company and as vice chair of the Smaller Business Association of New England. Mr. Papoojian described the regulation notification process, formed through the RegFlex legislation in 2004 or 2005. This program was run by the EDC, which did a great job. Small businesses were able to review and comment

on any regulation that would have an impact on the small business community. Mr. Papoojian commended the EDC for trying to do their job well, but with frequent budget cuts it is getting harder for the body to advocate for small businesses. One action Mr. Papoojian supported is the development of a fulltime ombudsman at the EDC that would address regulatory issues and expand the effort in advocating for small businesses.

“It’s critical that we get everyone on the same page to make it easier on small businesses.”

Senator Elizabeth Crowley  
District 16, Central Falls, Pawtucket,  
Cumberland

**Eric Offenber, SGE Northeast Engineering, Middletown, RI – Mr.** Offenber described his company as a civil engineering and green energy company. His company recently downsized to 50% of its original staff. Through the EDC’s renewable energy program, his company was able to take advantage of funds to transition to renewable energy, which saved jobs. When a business is trying to make such a transition, it needs government agencies that can react quickly. Mr. Offenber described recent legislation that was passed concerning renewable energy – the legislation was well designed and very beneficial to his company. However, as programs are developed from this legislation, the state needs to make sure information and funding gets down to municipalities quickly. The state has good programs in place but not everyone knows about them. Mr. Offenber recommends that the state use the Chambers of Commerce to disseminate information to businesses. Furthermore, Mr. Offenber stressed the need to coordinate properly- the EDC may run one program, while another state agency runs a similar program, and some other body offers another – coordination is critical.

**Clay Rockefeller, The Steel Yard, Providence, RI – Mr.** Rockefeller described the Steel Yard – a renovated manufacturing site where a number of small businesses have incubated, students receive training in a number of skills such as welding and fabrication, and arts exhibits and displays are put on for the public. Mr. Rockefeller is a real estate developer and record label owner. Mr. Rockefeller commented that accessibility and navigability of the Rhode Island government system is very difficult; there is a serious lack of efficiency and a high amount of redundancy in the process. Recently, Mr. Rockefeller and his company began planning the restoration and development of a brownfield site in the city of Providence- to do so they needed to navigate DEM, the Narragansett Bay Commission, CRMC, and the federal EPA. Instead of an attitude of energy, excitement, and innovation – the company was confronted with one of indifference, or sometimes frustration.

**Judy Clappin, Donovan Travel, East Greenwich, RI** – Ms. Clappin employs 16 employees--all of whom work, live, and pay taxes in Rhode Island. Ms. Clappin relayed her experience with the State Purchasing office – choosing an out-of-state vendor that may not have been of optimal quality; and not responding to inquiries regarding the bidding process.

**Julie Gill, Oil Heat Institute of Rhode Island, Warwick, RI**- Ms. Gill asked the General Assembly to enact legislation to fix the State Apprenticeship Council. The Apprenticeship Council has made decisions recently that impact small businesses in Rhode Island that run or rely on apprenticeship programs.

**October 27, 2009**

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### **Secretary of State A. Ralph Mollis**

Secretary Mollis commented that the Secretary of State's office is where business and government first meet. The Office has emphasized the use of technology to make things easier for businesses to register and file in Rhode Island. The Office allows businesses to conduct nearly all registration processes online from anywhere, and allows 24/7 access to the website. The Secretary's office has also organized the First Stop Business Center to provide a full checklist of all forms and regulations that must be satisfied; a suggested sequence for filling them out; and has forms from other agencies available on site. In addition, the Secretary's office has partnered with the EDC, the "Every Company Counts" program, and other state and federal agencies on the "We Mean Business" event, which communicates and responds directly to small businesspersons needs for technical assistance. A priority for the office has been the development of a Master Application system to complete numerous different state applications, at the same time. A Master Application system eliminates duplication by using a single front page system to populate all state forms.

### **Lieutenant Governor Elizabeth Roberts**

By statute, the Lieutenant Governor's office chairs the Small Business Advisory Council. The office took the lead in developing the "Buy Rhode Island" program including developing the website 'www.buylocalri.org'. The office also introduced legislation to reform Rhode Island state bidding process so that, if all things contained in a bid were otherwise equal, the bid would go to a Rhode Island company. While the Lt. Governor understands that master contracting rules are tough to navigate, changes should be made to benefit Rhode Island businesses- there are instance where a Rhode Island business is confident they can underbid a *part* of a contract, but ultimately lose out because they cannot bid on the entire contract.

## General Treasurer Frank Caprio

Treasurer Caprio stated that the state needs to foster an environment where small businesses are confident enough to make new hires. Over the past few months, the General Treasurer's office has conducted several round-table discussions with small business people. Throughout these discussions numerous recommendations have been made, including:

- Using technology to help businesses pay state fees and have them processed immediately;
- Developing a small business advocate to pressure agencies to respond quickly; and
- Guaranteeing some form of response within a certain time frame to business filings.

## Rhode Island Economic Development Corporation

Michael Saul, interim executive director of the EDC, outlined the major efforts that are underway at the corporation and explained its approach to assisting small businesses. There are traditionally two types of small businesses; those that are dependent on the state economy, such as restaurants, and those that help drive that economy, such as manufacturing or research. There are also three ways to promote job growth- it must be started, expanded, or attracted. Starting and expanding is the best bet for any state as attraction is difficult, unreliable, and more costly.

Director Saul believes that all state departments must view each other as partners in promoting business growth. He advocated for a permitting project ombudsperson to advocate for businesses throughout the permitting process. He further commented that access to capital, in good times and bad, is a critical issue facing small business.

November 24, 2009

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### Department of Administration; Department of Revenue

Director Sasse stated that his departments' relationship with small businesses is through 3 Divisions—State Purchasing; Taxation; and Statewide Planning.

The *Purchasing Division* has done a number of things to make it easier for small businesses to do business with the state through its 'Open for Business' program. The Division has a website available to all vendors explaining how to do business with the state; the site also includes a vendor center reference guide. The Division posts all bid opportunities on its website 24/7, and all policies and procedures are posted in plain English. Training is provided to Division staff to effectively use the website. The Rhode Island vendor information program is available to small businesses.

"As a person who has run a small business, I know firsthand the maze of licenses and regulations that small business owners must comply with on the local and state levels. There is clearly a need for reform."

Senator Leo Blais  
District 21, Coventry, Foster, Scituate

The Purchasing Division works with the state EDC to provide training to small businesses and to EDC clients. The Division has participated with the EDC and the United States Small Business Administration on informational seminars for veterans to aid veteran-run businesses. The Division also works with small businesses through Master Price Agreements while focusing on minority and women-owned business enterprises.

One program particularly beneficial to small businesses is the I-supplier program. The I-supplier system is a web-based procurement system that will provide major benefits in two areas; improved customer service and operational efficiency. This would allow a secure communication link between the state and suppliers. The system will require an expenditure of \$325,000 to implement and the process is currently on hold because of the state's current financial situation.

Director Sasse explained that the *Division of Taxation* has simplified tax regulations and has been reviewing all rules and processes to make them simpler and more user-friendly. This has been particularly helpful in handling enterprise zone credits.

The *Division of Planning's* needs intersect with the needs of small businesses as countless regulatory and planning bodies within the Division interact with small businesses. In the area of comprehensive state planning, which traditionally affects larger businesses, the state is in the process of reducing the time it takes to review municipal comprehensive plans from 8 months down to 4 ½ months. Perhaps the area with the greatest impact on small business pertains to building and energy codes. The state recently adopted new building and energy codes, and the office of the building commissioner is planning a vigorous education effort to inform local officials.

## **Department of Health**

Dr. David Gifford, Director of the Department of Health, commented that the Department of Health deals with small businesses in three major venues. First, the Department is responsible for licensing health professionals, including 44 different health professions, many of which are essentially small businesses. The Department also licenses health care entities, many of which are small businesses. Second, the Department regulates and sets standards for materials such as asbestos and lead, which affect many businesses. Lastly, the Department oversees food establishments.

The Department has moved hard toward a web-based electronic renewal and application system. The most frequently viewed sections of the Department website concern licensure, and the Department has updated these sections. The biggest challenge facing the Department as it pertains to small businesses is that many of the Department regulations concern health and safety which is difficult to balance with the burdens facing small businesses- this is a cause of great tension. Within the last five years, the Department has emphasized customer satisfaction, conducting customer satisfaction surveys, and recognizing those Department employees who receive compliments from individuals or businesses on their service.

## **Office of the Health Insurance Commissioner (OHIC)**

Health Insurance Commissioner Christopher Koller explained that OHIC is responsible for regulating health insurance companies in the state, both in large and small group markets. OHIC shares services with the Department of Business Regulation.

As it relates to small businesses, OHIC is concerned with consumer protection and the need for affordable health insurance - which is a rising cost for all employers. Small businesses purchase insurance as a pool and are priced collectively. OHIC reviews rates and factors that insurance companies consider in developing small business insurance rates. The Commissioner commented that the rates that small businesses are being charged in the state are equal to or less than the rates being charged to large businesses because of legislative reforms undertaken by the General Assembly.

## **Department of Environmental Management**

Dr. Michael Sullivan, Director of the Department of Environmental Management (DEM), explained that, in recent years, the Department has changed how it does business. He considers the Department to be a customer service-oriented business, offering services in regulations, recreation, land management, and education. Over 4 ¼ years, the Director has tried to develop horizontal orientation to share resources across divisions of the department, as they continue to adjust to the dramatic changes in state government with reductions in staff and finances.

The department has changed institutional behavior. Now, when a client first enters DEM they encounter the Office of Customer and Technical Assistance, which is the primary portal into the organization for any of the 63 different permits the Department may issue. The Department also now allows for a 'pre-permitting' meeting where a company or individual can ask the Department 'how can you help me?' without any fear of impact on regulatory decisions. Recent performance indicates that this approach has been working. For the 63 permit considerations for all of DOT road projects, the average process time was under 4 weeks. Additionally, for the nine communities currently undertaking stimulus projects, the Department has processed permit requests in less than 10 days.

Challenges before the Department currently include the erosion of funding and FTEs. The Director further commented that farmers markets have been a priority, both for the environment and the local economy, helping local farmers and keeping nutritional foods available. Concerning specific legislative recommendations, the Director suggested a common platform for all agencies for regulatory submission. The Administrative Procedures Act requires departments to have open meetings, as it should; but allowing joint and common public hearings would help save time, effort, and money.



## **Department of Labor and Training**

Department of Labor and Training Director Sandra Powell stated that the department connects with small businesses through four divisions: Workforce Development Services, Workforce Regulation and Safety, Worker's Compensation, and Workforce Support. The Workforce Development division helps large and small employers connect with the state labor pool in a cost effective way, when compared to the costs of outsourcing labor and recruitment efforts to private contractors. The Workforce Regulation and Safety division is responsible for the licensure and permitting of several regulatory processes throughout the state, providing licenses to a variety of trades.

The Department has developed an Employer Education series to inform businesses on all parts of the agency, answering questions and sharing information with hundreds of small businesses. The Director explained that DLT is working on creating a one-stop shop for small businesses, using ARRA funds. Director Powell described how the Employer Services Unit acts as a liaison for businesses working across the agency, and across other departments, to help find answers quickly.

The Director described the Governors Workforce Board as responsible for distributing comprehensive workforce training grants. Sometimes businesses just miss the deadline to apply, or are not aware of the opportunity for funding. The Board intends to move to a rolling process for workforce training dollars to make the process more responsive. The Department's Occupational Safety division regulates the use of boilers/water heaters. DLT is responsible for inspecting about 27% of boilers in the state, the rest are generally inspected by insurance companies that insure the boiler and are authorized by the Department to do so. Businesses pay \$120 every 2 years when their boiler is inspected. This \$60 dollar annual fee has been in place since 1987, and is consistent with neighboring states.

## **Department of Business Regulation**

Mr. Joseph Torti, Associate Director, testified on behalf of Director A. Michael Marques. He stated that Director Marques has focused on reducing costs, bureaucracy, needless paperwork, and streamlining statutes. The Department has been able to leverage technology to reduce paper formats. All department forms are accessible on the Department webpage, and the Department sends all proposed new or current regulatory amendments to an electronic 'interested party' list.

In regards to licensing fees, the Department has conducted a survey of neighboring states and other nations to find that most of the Departments licensing fees are either lower or equal to most New England states. DBR, with DOA, is working with a software company CAVU to pilot a single online licensing system. Two recent changes designed to assist small businesses have been the elimination of business entity licensing for insurance producers, and proposing the elimination of licensing and bonding for travel agents, comparable to the majority of other states. The Department's Banking Division recently implemented a national mortgage licensing system that is being implemented in every state.

One major recent change has involved the Department eliminating all ‘desk drawer’ requirements – those regulations that front line workers initiate and enforce, but which are not stated in statute or regulation. DBR also submits a significant amount of legislation each session, the purpose of which is to ease regulation on businesses and individuals that the Department regulates. The Department is also developing a system for businesses to be able to print their license off the website, eliminating the delay in sending out paper licenses.

## Summary of Testimony – December 16, 2009

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### State Fire Marshall’s Office

Fire Marshall Chartier recommended that fire code review fees be placed in a restricted receipt account that would directly fund the administrative functions of the Fire Marshall’s Office. These funds would help approve projects more quickly and expedite the review process. The Marshall is particularly concerned with the Office’s ability to meet demands over the next 6 months, when nearly 100 projects will begin at college campuses across the state, funded with ARRA (stimulus) money.

Marshall Chartier explained that he has been in his position for about 15 months. His goal is to bring uniformity in enforcement of the state fire code across the state. The office uses an independent, third party certification program to certify local fire marshals. As of January 2010, if a local fire marshal has not taken the national certification exam, they will lose their position. While it is unfortunate that the state may lose some local fire marshals, it is key that all marshals be trained and tested at the same level of certification.

### Rhode Island Public Transit Authority

Mark Therian, Assistant General Manager of RIPTA stated that the major service RIPTA operates is fixed route bus service. Over the past decade, RIPTA has significantly restructured its route system, a process that had not been done in 30 years. Over 70% of riders on RIPTA service are going to work. RIPTA works with the EDC to ensure their design reflects the business and employment needs of Rhode Islanders, and continuously interacts with the EDC and businesses to work together and promote building and site design that helps improve RIPTA services. Additionally, RIPTA starts bus services earlier in the morning to cover early morning shifts.

Mr. John Rupp, RIPTA Board Chairman, testified that they now ask that developers proposing to build in Providence, meet with RIPTA first so they are aware of the development and can determine if they can service the new business. Working with statewide planning or the Secretary of State, the state could probably have all communities utilizing a RIPTA notification process.

“Public transit is a critical ingredient to helping small businesses. People and jobs have moved out to the suburbs, but public transit systems have not kept up with their obligation to help bring workers that remained in our urban centers to these jobs.”

Senator Harold M. Metts  
District 6, Providence

### **Laurie White, Executive Director of the Greater Providence Chamber of Commerce**

Ms. White stressed that one of the major concerns she wishes to convey to the Task Force is the lack of a timely response from State and municipal governments responsible for licensing and permitting. The issues and the feedback are consistent from nearly all businesses. Ms. White believes that making permitting and licensing easier would not only help businesses produce more revenue in the form of taxes, but also provide more jobs. This should be a quick and easy fix, to help stimulate the economy, by hard wiring State and Municipal governments to make the process easier and quicker when applying for licenses and permits.

Ms. White encouraged the Task Force to consider the website ‘siteselection.com’, which annually lists the top ten factors which help promote business and which businesses consider when locating or relocating. Listed at #6 is ease of permitting, proving that this is a very vital issue when promoting economic growth. Finally, Ms. White presented census data concerning the question “where are the new jobs?” What the Chamber found is that the companies thriving are small businesses, particularly new small businesses. Rhode Island needs to become more business friendly, and one solution would be to speed up the time to attain a permit or license.

### **Keith Stokes, Executive Director of the Newport County Chamber of Commerce**

Keith Stokes, Newport County Chamber of Commerce, shared with the committee an eight point plan, which in his opinion, would help small businesses in Rhode Island. He stated that the lack of capital is a huge problem for the State and he wants the State to strategically invest some capital that will produce a return on investment and jobs. Mr. Stokes stated that Rhode Island could benefit greatly by a bond referendum that dealt strictly with recapitalizing small business programs and insurance programs. He recommended the following:

1. Amend the Job Growth Tax Credit Program to extend to small business
2. Set up a small business energy fund that would encourage small business to make their businesses more energy efficient.
3. Invest in a Community ‘Main Streets’. Studies show that beautifying a Main Street attracts people and entrepreneurs who will want to spend money to start businesses.
4. The State desperately needs to recapitalize the small business lending programs.
5. Workforce training programs need to be set up for smaller businesses operations.
6. It’s almost impossible to market a property to a large company, if it is not “pad ready.” We need start investing in these properties’ infrastructure to attract business to Rhode Island.
7. Rhode Island needs to develop a Commercial Industrial Development Policy; such as what the state had in place when the Navy pulled out of Rhode Island in the 1970’s.
8. Small business contract procurement programs – whereby local experienced small contractors would be able to bid competitively for sub contracts with larger companies from out of state. Big entities such as Raytheon and the Navy have offered to expand their bid lists to small business contractors as long they had the training and support from the state, to help ensure that such a task can be completed.

**David Carlin, Vice-President of Government Affairs for the Rhode Island Chamber of Commerce Coalition**

Mr. Carlin described the four most pressing issues facing small businesses in the state:

1. Access to capital similar to what was readily available in 2006 – as a result of the financial crisis this has become a major concern for businesses
2. Budget and Taxation issues that are critical to all businesses
3. Unsustainable health insurance and health care costs.
4. State and municipal regulatory issues

“We want the work of this task force to result in legislation that will change the rules to benefit small businesses... we want to decrease bureaucratic hurdles and make it as easy as possible to establish and run a business in Rhode Island.”

Senator Joshua Miller  
District 28, Cranston, Warwick

Relating to measures the legislature can take to help businesses, there are two broad based suggestions:

1. Concerning access to capital-- during the last budget cycle, the EDC was allowed to create a \$25 million revolving door fund offering small businesses the opportunity to go to a lender and have the state, throughout a variety of funding streams, guarantee 90% of the loan offered to the business. This should be financed.
2. Regarding workforce training-- programs offered both through state partnerships and chamber initiatives are underfunded. The knowledge economy is a terrific opportunity for the state to attract and retain businesses, employers, and minds; but we have to make sure that manufacturing, retail, and other industries continue to thrive and have access to the workforce they need.

## **Summary of Testimony – January 8, 2010**

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On Friday, January 8, 2010, the Senate Task Force on Small Business Growth and Development held a special hearing immediately following the U.S. Small Business Administration's 2010 Rhode Island Economic Summit at Johnson & Wales University in Providence.

### **Small Business Administration**

**Mark Hayward, RI Administrator for the US SBA** has attended every meeting of the Task Force and feels that it has been an opportunity to hear from business people of the state. He explained that the US Small Business Administration is a federal agency that concentrates on the small business community, providing capital to small businesses and serving as their advocate.

**Jean Hult, Regional Administrator, US Small Business Administration**, stated that the Small Business Administration has a network of small business development centers providing free business counseling which can be better leveraged by the state. Anyone who requires so can receive free business advice from the SBA and are referred to regional Small Business Development Centers to access special financing from banks. SBDCs help startups and current businesses grow and studies indicate that companies that partner with or receive assistance from the SBA perform better on a number of business and success measures.

Every state in New England provides 100% of the necessary financial match to receive SBA funds, except for New Hampshire, which is at 50% - whereas Rhode Island is at 10%. The SBA appropriation for RI in 2009 was \$627,000 in federal support, with Rhode Island providing roughly \$63,000 to support small businesses counseling. At a time when the state is in very a difficult financial situation; it is important to concentrate more support on keeping small businesses up and running, she recommended to the Task Force.

**Grafton H. “Cap” Willey IV, SBA Budget Committee Chair**, commented that the SBA urges the General Assembly to address structural deficit issues in the state budget. One key item the General Assembly could consider to help small businesses with uncompetitive tax rates would be to take a look at last year’s tax competitiveness panel recommendations.

**Miriam Ross Esq., SBA Energy Committee Chair**, remarked that the state needs to address energy costs and invest in clean renewable energy sources as a way to reduce costs and improve our economy. Ms. Ross would like to see seats at the table for small businesses on state energy commissions. Ms. Ross further remarked that the state needs a statewide comprehensive energy plan covering efficiencies, conservation and use. The committee also feels that there is a strong need to expand eligibility to increase use of energy tax credits.. On the economic development side- there needs to be a robust partnership between the General Assembly, the Governor, and Economic Development to devise a single, consistent economic plan for the state.

**Philip Papoojian, SBA Health Committee Chair**, described his chief recommendation that health insurance premium dollars be consolidated into a health insurance exchange or hub - the broader the exchange, the greater impact it can have in controlling rates. Small businesses prefer to not have to be involved in the administration of health insurance.

**Mark S. Deion, SBA Committee Chair** explained that the state passed the Rhode Island Small Business Administration tax credit guarantee in 1994, but then eliminated them in 2004. In the decade the credit existed,  $\frac{3}{4}$  of a billion dollars led to the creation of 23,000 jobs along with millions in business growth and expansion at comparatively little cost to the state. The Tax Credit Guarantee should be reinstated.

**James Beale, SBA Committee Chair**, testified that it is the committee’s recommendation that the General Assembly reinstate guaranteed loan fees and that the EDC maximize matching state funds for the federal funds. Often times, in economic development programs, when the state puts 1 dollar down, the federal government puts down 2 or 3 matching dollars and the state benefits greatly. The committee recommends that the State do everything possible to leverage funds that are *not* state funds and coordinate economic development outreach and services wherever possible.

**Gary Ezovski- SBA Regulatory Committee Chair**, stated that the Committee advocates for fair and empowered use of the state's Regulatory Flexibility Act. During the Small Business Summit, attention was drawn to building permit process. The state has a system that repeatedly gets in the way of business growth. Rules do not allow multiple processes to happen simultaneously. Section 128 of the Rhode Island State Building Code allows the use of private plan reviewers for building permits; however there were never rules or regulations established for that program. Some states have been recognized for their regulatory expedience and Rhode Island should try to be one of them. Fast-tracking programs are available and a model permit process can be developed to eliminate variation of building code interpretations. Additionally, builders seeking to build in multiple locations should be able to receive one single state approval instead of enduring the differences in permitting among locals – such a system could provide relief to local officials too.

**Greg Gerrit, Prosperity for RI** remarked that prosperity starts from bottom up not from top down. Mr. Gerrit pointed out that the country keeps talking about health care but the country cannot continue to try to use healthcare as a driver of our economy. We won't be able to afford healthcare if it grows to encompass 25% of the economy. Mr. Gerrit commented that housing costs are extremely high in Rhode Island. There is also job growth created in local agriculture.

**Bob Burke, Rhode Island businessperson**, commented that he has been a small business owner in Rhode Island for 40 years. He commented that the state is overly dependent on property tax and needs to look at this fact. Mr. Burke explained that RI needs to attract people who live in other states but work here. He pointed out that taxes paid by small businesses, unlike property tax dollars, are not spoken for, since small businesses do not ask for their child to be educated, or their trash to be picked up, and all businesses must be made fire proof so they don't depend heavily on fire and police departments, thus small businesses self sustain. Additional tax dollars are brought in by tourists. Tourism is the state's second largest industry and tourists cannot demand any special government services, so when those tourists come here, they give their tax dollars and educate their children somewhere else.

**Guy Natelli** remarked that the State needs to correct procedural problems and change the technology that state departments and agencies are using. State agencies and departments operate as separate entities and are not sharing information with each other. Mr. Natelli has attended all of the Task Force meetings and noticed that once a state agency/department testified they would leave and not hear testimony from other agencies.

**Dorothy Reynolds, DLA Procurement Technical Assistance Center (PTAC) of the RI Economic Development Corporation**, mentioned the state faces a shortage of funds. The state forfeits federal dollars because of a lack of a state match. The SBCD, 'Every Company Counts', PTAC, and RIMES are all established programs and provide a continuum of services for small businesses. Ms. Reynolds encouraged the Task Force to look at 'return on investment' data and support programs that help create and save jobs in Rhode Island.

**Ray Fogarty, Bryant University**, began by pointing out that Rhode Island has mostly small businesses. He pointed out that this is the first time that the General Assembly has invited him and his peers in the business community to talk about specific small business issues. He encouraged the state to make economic development a 'we' plan that would help all parties do their job well.

**Leslie Taito, Rhode Island Manufacturing Extension Services (RIMES)**, pointed out that, contrary to popular belief, manufacturing is alive and well in Rhode Island, with over 40,000 people in RI employed in manufacturing. RIMES has been working with the small manufacturing community for 14 years; they leverage federal funding to help manufacturers compete in a global economy. From 2000-2009; RIMES assisted in producing cost savings of over \$15 million, with an average return on investment of 42 to 1. All of the federal programs described are critical to help small businesses. The state leaves millions of federal dollars on the table because we do not leverage them with matching funds.

**Jan Eckhart, Sweet Berry Farm**, pointed out that farming is one of fastest growing industries in state. The state needs structural changes and big, dynamics shifts, and not so much around the edges. This will need to be a massive effort with everyone on board and we have to be prepared to make some difficult decisions.

**John Cronin, Johnson and Wales Small Business Development Center**, sought to stress the important recommendations of all the small businesspersons who testified. Mr. Cronin believes that, with a systems approach, we can make Rhode Island a shining star. Professionals are available to help offer services to new businesses and to connect businesspersons with other folks who have already been through the system.

“Rules and regulations that small businesses must deal with are quite cumbersome, and small businesses don’t have the manpower to navigate through them without taking valuable hours away from time that they should be spending on running their businesses.”

Senator William A. Walaska  
District 30. Warwick

## CONCLUSION

Small businesses remain the driving force behind Rhode Island's economy and the best hope for job growth and recovery over the next several years. While recognizing the continued need to protect the health and wellbeing of all Rhode Islanders, the Task Force believes that decreasing bureaucratic delays, reforming duplicative regulatory filings, and reducing the associated added costs to businesses, are critical actions if small businesses are to grow and succeed in this state.

