

Office of Regulatory Reform

Findings of the 2013 Small Business Survey

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Rhode Island Office of Management and Budget

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ABSTRACT

This report outlines the results of Governor Lincoln D. Chafee's 2013 small business survey, starting with an introduction to recent regulatory reform efforts. The report provides an overall analysis along with summary data on an industry-by-industry basis. It includes discussion of the survey method, design and participants and a discussion of next steps.

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EXECUTIVE SUMMARY

This report outlines the results of Governor Lincoln D. Chafee's 2013 Small Business Survey; a component of Governor Chafee's Regulatory Reform Initiative aimed at making Rhode Island a more business friendly environment. Seven hundred and nine (709) small business representatives provided input on how regulations affect their business.

It is noted at the outset that the number of respondents should by no means be considered a statistically significant representation of Rhode Island small businesses, especially when sorted into their corresponding industries. However, reviewing the overall survey results and industry-specific answers can serve to inform rule makers, regulators and reformers on some of the issues faced by small business owners.

The majority of survey respondents had concerns regarding state regulations, stating that there are too many regulations which pose an unnecessary challenge or burden for their business. Indeed, half of respondents estimated their cost of regulatory compliance at greater than \$2,000 annually and one-third of respondents indicated a need to hire an outside consultant just to understand how to comply. Facing these challenges, just under half of participants stated that state regulations have been a critical factor in deciding to grow or invest in their business.

While there appeared to be differences among major industries, health insurance costs were consistently identified as the primary challenge to business, followed by state then federal regulations. Industries reported differing levels of frustration; with the Construction/Utilities and Health Care/Social Assistance sectors reporting the highest levels of dissatisfaction. These two industries responded the most negatively on almost every survey question. A noteworthy finding based on survey responses was that local ordinances ranked low on the concern list for small businesses.

The Office of Regulatory Reform will use the specific regulations identified by respondents along with their supporting commentary to inform its regulatory review. Identified regulations have received top priority for review and the Office of Regulatory Reform, backed by the input provided by small businesses, will work with state departments to answer Governor Chafee's call for bold and proactive solutions to the challenges faced by small businesses in order to improve Rhode Island's regulatory environment.

Governor Lincoln D. Chafee, the Office of Management and Budget and the Office of Regulatory Reform would like to thank all survey participants for their time and thoughtful consideration in completing the survey.

INTRODUCTION

On January 31, 2013, Governor Lincoln D. Chafee reached out to more than 6,000 small businesses across Rhode Island by asking them to complete a short survey and provide feedback on the impact of regulations and costs of compliance. Additional outreach efforts made by several business associations allowed many more businesses the opportunity to provide their input.

The Office of Regulatory Reform (ORR) is currently working with State departments and agencies to review their regulations for any adverse small business impacts and provide recommendations to revise, repeal or maintain regulations based on that review. Seeing this process as vital to Rhode Island's economic success, Governor Chafee announced in September 2012 his intent to accelerate the initiative by reducing the timeframe for his review from four years to just over a year.

The survey discussed in this report is intended to supplement this regulatory review process and further inform the ORR analysis underway. The goal of the entire reform effort is to help government become more efficient and for Rhode Island to be more business friendly by creating a clear, predictable and reliable regulatory system. As stated by the General Assembly, "a friendly business sector is critical for creating a vibrant and dynamic economic environment that supports job growth."

Currently, there are over 1,600 state regulations in Rhode Island, and the impact they have on small business is unclear. However, it is understood that regulatory requirements can impose unnecessary and disproportionately burdensome demands on small businesses, including legal, accounting and consulting costs. Small businesses have limited resources, and failure to recognize their scale in the regulatory process can adversely affect marketplace competition, innovation and productivity, creating unnecessary barriers to entry and discouraging entrepreneurs from starting a business in Rhode Island.

It is important to balance reform efforts with protecting taxpayer health and safety. State agencies have been tasked to seek alternative regulatory approaches that do not conflict with their stated health and safety objectives by considering, for example, less stringent or consolidated reporting requirements, compliance deadlines or replacing broad operational standards with business-specific performance standards.

To this end, Governor Chafee has asked small business leaders for their ideas and comments on the important challenges they face, their opinions related to regulation, their cost of compliance as well as their suggestions for making Rhode Island a more business friendly state. The Governor has simultaneously urged state agencies to think creatively and propose bold and proactive solutions for the challenges faced by small businesses.

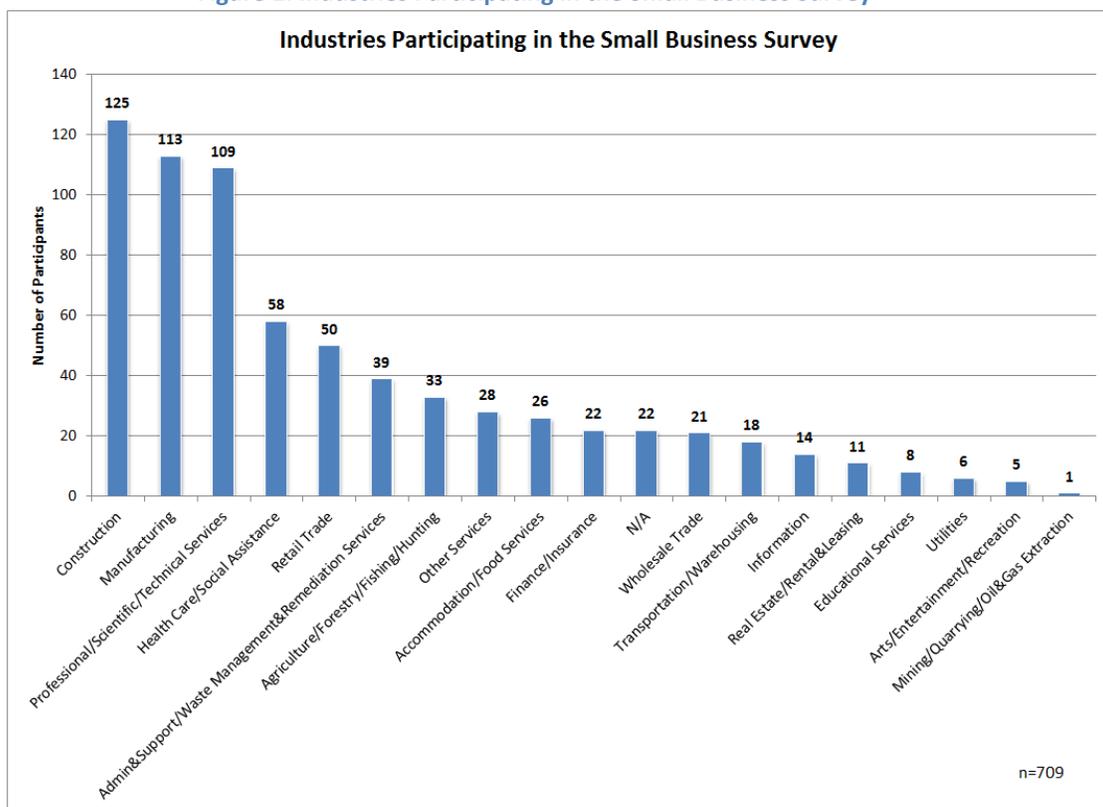
RESULTS

OVERALL RESULTS

DEMOGRAPHICS

Seven hundred and nine (709) small business leaders participated in the survey. The Rhode Island businesses managed by these individuals represented the range of businesses reflected in the North American Industry Classification System (NAICS), including all major industry sectors (excluding Public Administration). These sectors are identified in Figure 1, which also provides the number of participants per sector.

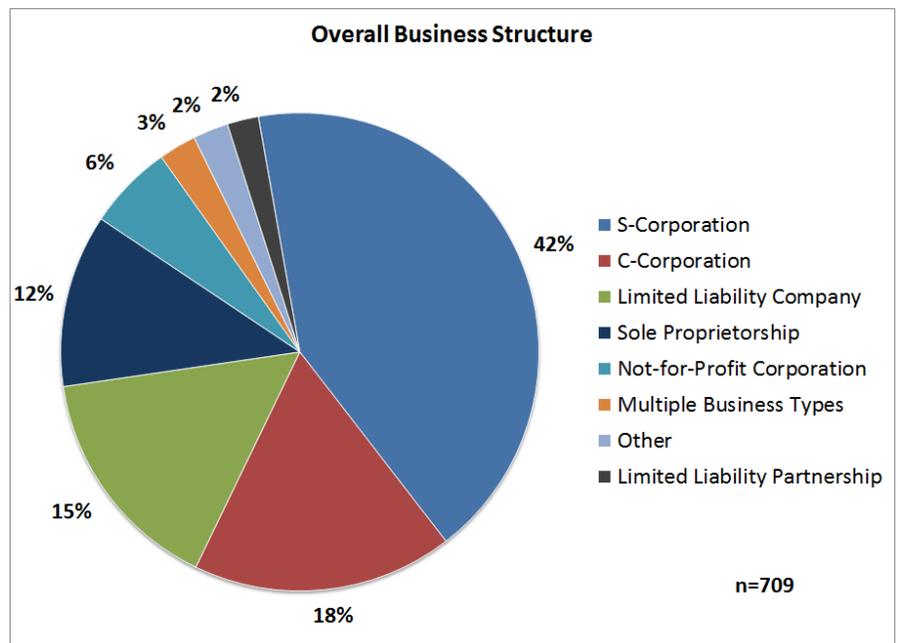
Figure 1: Industries Participating in the Small Business Survey



Though some industries appear to have better representation than others, the number of industries sampled in each category strongly correlates with the 2010 statistics of Rhode Island’s small business totals as maintained by the United States Census Bureau. In other words, the totals in each category are a fairly reflective subset of Rhode Island’s small business numbers. Though reflective, this subset is only three percent (3.0%) of the entire 2010 Rhode Island small business community. That said, at the onset of this survey, the ORR research team identified a sample size greater than 700 as sufficient when considering the sampling totals of other endeavors of this nature.

Three sectors (in order) were underrepresented in the survey; industries defined by NAICS as “Other Services” (used in this report as a miscellaneous category), Accommodations and Food Services, and Retail Trade. These sectors represent about a third (33.5%) of Rhode Island small businesses, but only fifteen percent (14.7%) of survey participants. On the other end of the spectrum, sectors that had strong survey representation relative to their presence in Rhode Island include the Manufacturing and Agriculture sectors. These sectors represent six percent (6.4%) of Rhode Island small businesses and twenty-one percent (20.6%) of survey participants. The remaining industries had levels of participation relative to their 2010 size. Future endeavors would benefit from obtaining additional samples from underrepresented industries.

Figure 2: Overall Business Structure



After reviewing data on small business structure (see Figure 2) one observes that corporations make up the largest percentage of small businesses surveyed at 42.3% S-Corporations and 17.6% C-Corporations; following are Limited Liability Companies and Sole Proprietorships representing about an eighth (15.5% and 11.7% respectively) of respondents each. Again, when comparing these numbers with the structure of all Rhode Island businesses, as maintained by the Secretary of State’s Office (excluding Sole Proprietorships where data is maintained at the local level), another strong correlation is found.

It was noted at the outset that the number of participants should by no means be considered a statistically significant representation of Rhode Island small businesses, especially when sorted into their corresponding industries. However, reviewing the overall survey results and industry specific answers can serve to inform rule makers, regulators and reformers on some of the issues faced by small business owners.

Despite the limitations described in this subsection, the participants in this survey appear to be a small, yet informative sample of the Rhode Island small business community.

SMALL BUSINESS CHALLENGE RANKING

Survey respondents were presented with ten common challenges faced by small businesses and asked to rank them in order of most to least challenging. They are presented below in that ranking order (with #1 being the most challenging and #10 being the least). State regulations, the impetus being of this survey, obtained the second most challenging ranking behind health insurance, which was consistently rated the top challenge by small businesses. Five hundred thirty-five (535 or 75.5%) participants ranked these challenges. The average ranking out of ten is presented for each category.

#1 HEALTH INSURANCE COSTS were identified as the most challenging issue facing small businesses (average ranking of 3.4; a full point ahead of the next highest rated challenge of state regulations). One hundred twenty (120 or 22.4%) participants identified health insurance as their number one challenge.

#2 STATE REGULATIONS were identified as the second most challenging issue with an average ranking of 4.4. The top three individual industry averages in this category include the Health Care and Social Assistance, “Other Services” and Construction sectors, while the bottom three include the Professional, Retail Trade and Finance sectors. Eighty-three (83 or 15.5%) participants identified state regulations as their number one challenge.

#3 FEDERAL REGULATIONS were identified as the third most challenging issue with an average ranking of 4.7. The top three individual industry averages in this category include the Health Care and Social Assistance, Financial and Agricultural sectors, while the bottom three include the Professional, Administrative Support and Hospitality sectors. Forty-eight (48 or 9.0%) participants identified federal regulations as their number one challenge.

#4 LABOR COSTS were identified as the fourth most challenging issue with an average ranking of 4.8 just behind federal regulations. Forty-five (45 or 8.4%) participants identified labor costs as their number one challenge.

#5 DECREASED CONSUMER DEMAND was identified as the fifth most challenging issue with an average ranking of 5.0. Ninety (90 or 16.8%) participants identified decreased consumer demand as their number one challenge.

#6 AVAILABILITY OF CREDIT was identified as the sixth most challenging issue with an average ranking of 5.2. Sixty-eight (68 or 12.7%) participants identified availability of credit as their number one challenge.

#7 INCREASED COMPETITION/GLOBALIZATION was identified as the seventh most challenging issue with an average ranking of 6.1. Thirty-nine (39 or 7.3%) participants identified increased competition/globalization as their number one challenge.

#8 PERSONNEL MANAGEMENT was identified as the eight most challenging issue with an average ranking of 6.7. Twelve (12 or 2.2%) participants identified personnel management as their number one challenge.

#9 LOCAL ORDINANCES were identified as the ninth most challenging issue with an average ranking of 6.9. The top three individual industry averages in this category include the Construction, “Other Services” and Agricultural sectors, while the bottom three include the Professional Service, Health Care and Social Assistance and Finance Sectors. Fourteen (14 or 3%) participants identified local ordinances as their number one challenge.

#10 TECHNOLOGY CHANGES were identified as the tenth most challenging issue with an average ranking of 7.5; the highest (least challenging) average. Fourteen (14 or 2.6%) participants identified technology changes as their number one challenge.

An interesting finding based on survey responses was that local ordinances ranked low at 9th on the concern list for small businesses, while state and federal regulations ranked considerably higher at 2nd and 3rd, respectively. The industry-by-industry analysis revealed that different sectors reported greater challenge from either state or federal regulations. Five sectors (45.5%) Administrative Support and Waste Management, Construction, Health Care and Social Assistance, Hospitality and “Other” Services cited greater challenges with state regulations while 6 sectors (54.5%) of Agriculture, Finance, Manufacturing, Professional Services, Retail Trade and Wholesale trade cited greater challenges with federal regulation.

OPINIONS REGARDING REGULATION

Taken as a whole, the majority of survey respondents (63.4%, 336 of 530) believe that there are too many state regulations affecting their small business. The industry-by-industry analysis revealed differences in opinion between business sectors (see Table 1). For example, the Rhode Island construction and wholesale trade sectors overwhelmingly (77.6% each) felt that there are too many state regulations affecting their small businesses, while just under a third (30.8%) expressed the same in the finance and insurance industries.

Table 1: Percentage of Respondents Answering “Too Much Regulation” by Industry

SECTOR	TOO MUCH REGULATION
construction and utilities	78%
wholesale trade	78%
health care and social assistance	70%
retail trade	68%
manufacturing	66%
agricultural and natural resource extraction	64%
other	60%
professional, scientific, technical and information services	53%
administration/support and waste management/remediation services	46%
hospitality	44%
finance and insurance	31%

Table 2: Percentage of Respondents Answering “Regulations are Overly Challenging or Burdensome” by Industry

SECTOR	CHALLENGING / BURDENSOME
construction and utilities	73%
agricultural and natural resource extraction	64%
health care and social assistance	63%
other	63%
manufacturing	62%
wholesale trade	56%
finance and insurance	54%
hospitality	53%
retail trade	44%
administration/support and waste management/remediation services	44%
professional, scientific, technical and information services	42%

The majority of survey respondents (58.1%, 298 of 513) also believe that state regulations are overly challenging or burdensome for their small business. Again, differences can be found among industries (see Table 2). Construction businesses top this list at 72.6%, compared to only 41.9% of professional, scientific, technical and information services expressed the same.

Just over half of respondents (52.1%, 220 of 422) estimated their cost of regulatory compliance at greater than \$2,000 annually (see Table 3). As some industries consistently marked “greater than \$2,000” future data gathering endeavors might consider an extended range for this type of question. Health Care and Social Assistance was at the top of the list with two-thirds (66.7%) answering greater than two thousand, while a little more than one-third (35.7%) in Hospitality expressed the same.

Table 3: Percentage of Respondents Answering “Greater than \$2,000” for Compliance Cost by Industry

SECTOR	> \$2,000
health care and social assistance	67%
construction and utilities	62%
administration/support and waste management/remediation services	58%
manufacturing	55%
finance and insurance	55%
agricultural and natural resource extraction	53%
other	50%
wholesale trade	46%
retail trade	41%
professional, scientific, technical and information services	40%
hospitality	36%

Table 4: Percentage of Respondents Identifying the Need to Hire an Outside Consultant In Order to Comply with Regulations by Industry

SECTOR	OUTSIDE CONSULTANT
other	47%
health care and social assistance	45%
manufacturing	41%
construction and utilities	39%
wholesale trade	38%
agricultural and natural resource extraction	37%
finance and insurance	36%
hospitality	36%
professional, scientific, technical and information services	32%
administration/support and waste management/remediation services	29%
retail trade	26%

Just over one-third of respondents (37.3%, 157 of 420) indicated hiring an outside consultant to help their business comply with regulations. Sectors that reported needing the additional help more include “Other Services” and Healthcare and Social Assistance. Retail was at the bottom of the list with just about a quarter (25.9%) of individuals stating that they hire an outside consultant (see Table 4).

When asked if state regulations have ever been a critical factor in deciding to grow or invest in their business, just under half (45.3%, 188 of 415) of participants responded “yes.” At the high end of this spectrum are Health Care and Social Assistance and Construction and Utilities operations (65.6% and 63.6%, respectively), while at the low end of the spectrum sits the Finance and Insurance industry (9.1%)(see Table 5).

Table 5: Percentage of Respondents Identifying State Regulations as a Critical Factor in Deciding on Growth or Investment

SECTOR	IMPACT GROWTH DECISION
health care and social assistance	66%
construction and utilities	64%
wholesale trade	54%
manufacturing	42%
other	36%
hospitality	36%
retail trade	35%
professional, scientific, technical and information services	33%
agricultural and natural resource extraction	29%
administration/support and waste management/remediation services	29%
finance and insurance	9%

In an effort to identify if specific industries felt a greater regulatory impact, the analysis team averaged the negative responses across these five questions. Higher averages may be an indicator of higher levels of dissatisfaction. Presented below is a ranked order of industries by highest average across tables to lowest:

1. Construction and Utilities
2. Health Care and Social Assistance
3. Wholesale Trade
4. Manufacturing
5. Agricultural and Natural Resource Extraction
6. Other Services
7. Retail Trade
8. Administration/Support & Waste Management/Remediation
9. Hospitality
10. Professional, Scientific, Technical and Information Services
11. Finance and Insurance

SPECIFIC REGULATIONS IDENTIFIED

Of the 298 participants that found regulations to be challenging or overly burdensome, 235 (78.9%) individuals provided feedback by identifying which specific regulation found difficult or spoke generally about their challenges. These general sentiments can be reviewed in the industry-by-industry section of this paper. Across the board, taxes (sales, property, income, corporate, etc.) were the most talked about item with 134 of 409 (32.8%) mentions in questions that provided space for open-ended responses.

Sixty-nine (69) regulations were mentioned specifically by identification number; those mentioned two or more times (starting with most mentioned) include:

Table 6: Specific Regulations Identified by Survey Respondents

Agency	Subunit (if applicable)	Online ID Number	Title/Description
Labor and Training, Department of,	Professional Regulation	6212	Apprenticeship Programs in Trade and Industry Sets forth labor standards to safeguard the welfare of apprentices, and to prescribe rules about acceptable apprenticeship programs
Labor and Training, Department of,	Division of Professional Regulation	7107	Division of Professional Regulation, Rules and Regulations Relating to Prevailing Wages Clarification of the Prevailing Wage Law; Specifies work performed on construction projects that is subject to being paid at prevailing wage rate
Fire Safety Code Board of Appeal and Review		7138	Rhode Island Fire Safety Code 2013 Fire Code Safety Regulations. Consolidation of National NFPA codes and standards with Rhode Island amendments.
Children, Youth and Families, Department of		1281	Child Day Care Center Sets forth licensing requirements for child day care center to safeguard the well-being of children.
Taxation, Division of		4317	Sales and Use Tax - Interstate Sales Guidance on purchase of taxable goods used in interstate commerce.

Agency	Subunit (if applicable)	Online ID Number	Title/Description
Labor and Training, Department of,	Professional Regulation	7164	<p>Rules and Regulations Relating to Exemptions for Work on Holidays and Sundays</p> <p>Guides employers in the procedure to request exemption from paying premium pay on Sunday and holidays; also lists exemptions that have been granted.</p>
Administration, Department of,	Minority Business Enterprise	716	<p>Regulations Governing Participation by Minority Business Enterprises in State Funded and Directed Public Construction Projects, Construction Contracts, and Procurement Contracts for Goods and Services</p> <p>Sets forth state's policy of supporting the participation of firms owned and controlled by minorities (and women) in state funded and directed projects and state purchases of goods and services.</p>
Labor and Training, Department of,	Workers Compensation Unit	2858	<p>Workers' Compensation Rules pursuant to 28-36-15 (Lack of Insurance)</p> <p>Provides for procedures for the Division of Worker's Compensation to issue stop work orders. It also directs the method for assessment of penalties against uninsured employers</p>
Business Regulation, Department of,	Insurance Regulation Division	3143	<p>Insurance Regulation 39: Rate Hearing Procedures on Fire and Marine, Worker's Compensation and Other Property & Casualty Insurance Filings</p> <p>Establish the hearing procedures that pertain to fire and marine, workers' compensation and other property and casualty insurance rate filings</p>
Education, Board of		5649	<p>Standards for Approval of Preschool and Kindergarten Programs</p> <p>Establishes standards for early childhood education programs based on Rhode Island's Early Learning Standards to children between the ages of three (3) to six (6) years of age.</p>

Agency	Subunit (if applicable)	Online ID Number	Title/Description
Labor and Training, Department of,	Labor Relations Board	5874	<p>RI State Labor Relations Board General Rules and Regulations</p> <p>Clarifies the RI State Labor Relations Act and the organization and operation of the State Labor Relations Board</p>
Workers' Compensation Court - Medical Advisory Board		6391	<p>Preferred Provider Network Filing, Rules of Procedure</p> <p>Sets forth policy for injured workers in the State of Rhode Island to retain their right to a physician.</p>
Public Utilities and Carriers,	Division of Public Utilities Commission	6498	<p>Rules and Regulations Governing Transportation Provided by Motor Carriers of Property</p> <p>Provides specific and detailed requirements for companies providing non-passenger (property) motor carrier services.</p>
Taxation, Division of		6854	<p>Business Corporation Tax / Limited Liability Companies</p> <p>Sets forth annual filing requirement on LLCs and their members.</p>
Health, Department of		6992	<p>Food Code</p> <p>Establishes minimum standards for food safety and sanitation in food businesses and food establishments.</p>

The Office of Regulatory Reform will use the specific regulations identified by respondents along with their supporting commentary to inform its regulatory review. Identified regulations have received top priority and the Office of Regulatory Reform, backed by the input provided by small businesses, will work with state departments to answer Governor Chafee’s call for bold and proactive solutions to the challenges faced by small businesses in order to improve Rhode Island’s regulatory environment.

INDUSTRY-BY-INDUSTRY ANALYSIS

The following subsections contain an industry-by-industry breakdown of the survey data. The North American Industry Classification System (NAICS) was used to identify major industry categories. Some categories have been collapsed together for supplementary analysis. However, only those NAICS categories that had sufficient representation (greater than 20 survey respondents) or were readily collapsible into another category received this individualized treatment. To that end, not every industry as identified by NAICS is covered; remaining survey responses are collapsed into an “Other Services” segment at the end of this section.

The industry by industry analysis is not intended to reflect statistically valid research given the survey was not designed for that purpose. Rather, the industry-by-industry analysis is intended to provide some initial insight into the respondents’ concerns to enhance ORR’s understanding while it conducts the regulatory review.

Each industry subsection starts with a definition of that industry obtained from NAICS (web site, <http://www.census.gov/eos/www/naics/>) as maintained by the United States Census Bureau. Correspondingly, the reader will find basic demographic information for each industry including number of respondents in that category, examples of Rhode Island firms, business structure and number of years in business.

Next, the reader will find information regarding the opinions held by business leaders on regulations. Here businesses identify any regulations that they consider to be challenging or burdensome. Their opinions around regulatory issues are summarized, including their estimated cost of compliance. This section also contains a table that outlines the top challenges for that industry as identified by the survey participants. Finally, to provide industry insight, each subsection contains selected quotes from business leaders about how to improve the business climate of Rhode Island. This report does not suggest, endorse or substantiate the included quotes. They are included to provide context regarding respondents concerns.

ADMINISTRATION & SUPPORT AND WASTE MANAGEMENT & REMEDIATION

The industry sectors of Administration & Support and Waste Management & Remediation Services include companies that are engaged in providing routine support for the day-to-day operations of other businesses. Thirty-nine (39) establishments in this category provided input through the small business survey. Some example Rhode Island firms responding to this survey include temporary help, landscaping, telephone answering, janitorial and waste collection services.

Almost half (48.7%, 19 of 39) of survey respondents in this category are structured as S corporations (see Figure 1.1), with most (68.4%, 26 of 38) maintaining their business for over a decade (see Figure 1.2).

Figure 1.1: Business Structure

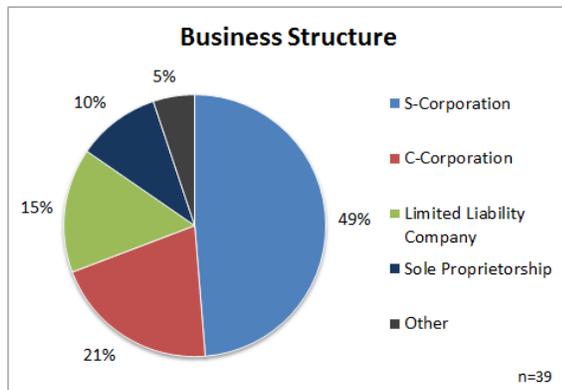
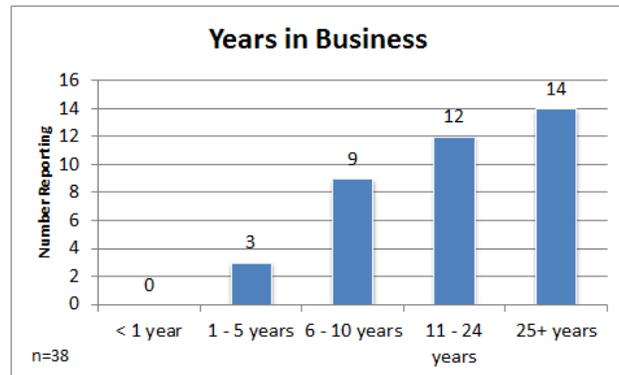


Figure 1.2: Years in Business



Opinions on Challenges and Regulations

When asked to rank the most important challenges facing their business, these owners identified health insurance costs, labor costs and state regulations as their top three challenges (see Table 1.1). Just under half of respondents in this category stated that they feel there is too much state regulation (45.7%, 16 of 35) and that regulations in Rhode Island are overly challenging or burdensome (44.1%, 15 of 34).

Table 1.1: Top Challenges Reported

Challenges	Rank
Health Insurance Costs	1
Labor Costs	2
State Regulations	3
Increased Globalization/Competition	4
Federal Regulations	5
Personnel Management	6
Decreased Consumer Demand	7
Availability of Credit	8
Local Ordinances	9
Technological Changes	10

General regulations that were identified as challenging or burdensome by businesses in the Administration & Support and Waste Management & Remediation sector include:

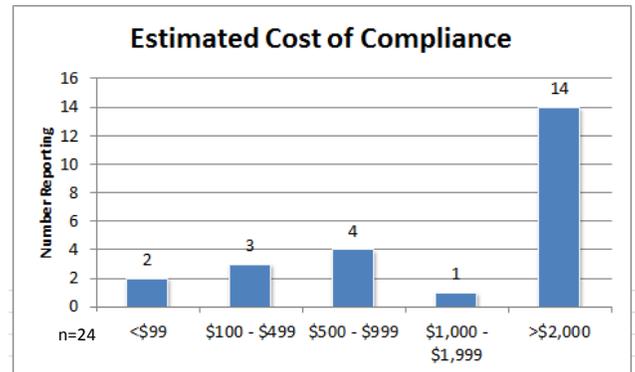
- Taxes (various)
- Building Code Regulations
- Payment of Wages and Prevailing Wage Regulations
- Unemployment Regulations
- Waste Regulations
- Workers' Compensation Regulations

Specific regulations that were identified by ERLID number include:

- ERLID 7107: Rules and Regulations Pertaining to Prevailing Wages
- ERLID 1006: Solid Waste Regulation No. 4 Incinerators and Resource Recovery Facilities

Fifty-eight percent (58.3%, 14 of 24) of these entities estimate their cost for compliance at greater than \$2,000 per year (see Figure 1.3), while 29.2% (7 of 24) indicated hiring an outside consultant in order to understand how to comply with regulations. Finally, 29.2% (7 of 24) maintain that the above considerations have been a critical factor in growing and investing in their companies.

Figure 1.3: Estimated Cost of Compliance



Sample of Open-Ended Survey Responses

Business leaders in the Administration & Support and Waste Management & Remediation industries have offered some of the following suggestions to improve the business climate in Rhode Island:

- *“We need more communication between lawmakers and business people of our great state. We make a bill with the right intent and it is written wrong, it hurts business and does not have the desired effect at all.”*
- *“Give businesses in RI a tax break.”*
- *“Legislators should be open to learning from the business community instead of assuming they know the effects of the bill they introduce. There are always unintended consequences and businesses like mine are affected.”*
- *“Government is too involved in day to day operations in the business world.”*

AGRICULTURE AND NATURAL RESOURCE EXTRACTION

Agricultural and Natural Resource Extraction sectors, including Agriculture, Forestry, Fishing, Hunting, Mining, Quarrying and Mineral Extraction, include companies that are engaged in growing crops, raising animals, harvesting timber, harvesting fish or other animals and extracting naturally occurring solid or liquid minerals (e.g. coal, natural gas). Thirty-three (33) agriculture, forestry, fishing and hunting establishments and one mining, quarrying or oil and gas extraction establishment provided input through the small business survey. Some examples of Rhode Island firms in this area include vegetable farms, poultry hatcheries, tree nurseries, loggers and fishermen.

The largest proportion (41.2%, 14 of 34) of survey respondents in this category are structured as S corporations (see Figure 2.1), with most (65.4%, 17 of 26) maintaining their business for over 25 years (see Figure 2.2).

Figure 2.1: Business Structure

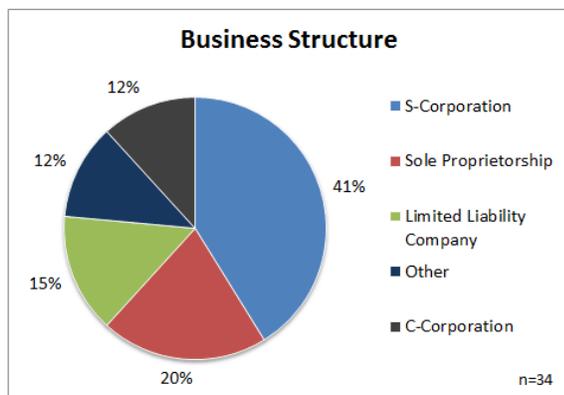
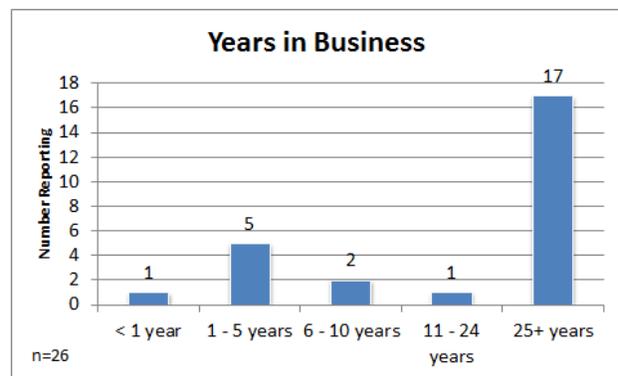


Figure 2.2: Years in Business



Opinions on Challenges and Regulations

When asked to rank the most important challenges facing their business, these owners identified health insurance costs, decreased consumer demand and federal regulations as their top three challenges (see Table 2.1). Sixty-four percent (64.0%, 16 of 25) of respondents in this category stated that they feel there is too much state regulation and that regulations in Rhode Island are overly challenging or burdensome (64.0%, 16 of 25).

Table 2.1: Top Challenges Reported

Challenges	Rank
Health Insurance Costs	1
Decreased Consumer Demand	2
Federal Regulations	3
Labor Costs	4
State Regulations	5
Availability of Credit	6
Local Ordinances	7
Increased Globalization/Competition	8
Personnel Management	9
Technological Changes	10

General regulations that were identified as challenging or burdensome by businesses in the agriculture and natural resources extraction sector include:

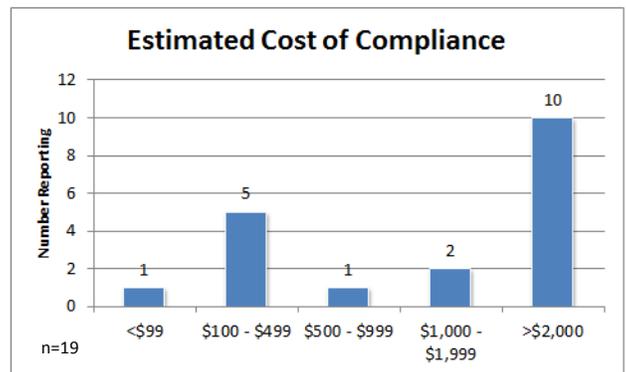
- Taxes (various)
- Environmental Regulations (various)
- Animal Slaughter Regulations
- OSHA Regulations
- Pesticide Regulations
- Agricultural Composting Regulations

Specific regulations that were identified by ERLID number include:

- ERLID 926: Rules and Regulations for Agricultural Composting
- ERLID 3636: Rules and Regulations Related to Pesticides

Fifty-three percent (52.6%, 10 of 19) of these entities estimate their cost for compliance at greater than \$2,000 per year (see Figure 2.3), while 36.8% (7 of 19) indicated hiring an outside consultant in order to understand how to comply with regulations. Finally, 47% (9 of 19) maintain that the above considerations have been a critical factor in growing and investing in their companies.

Figure 2.3: Estimated Cost of Compliance



Sample of Open-Ended Survey Responses

Business leaders in the Agriculture and Natural Resources Extraction have offered some of the following suggestions to improve the business climate in Rhode Island:

- *“Consolidate licensing and permitting. Simplify and clarify rules.”*
- *“Involve business in adoption and / or formulation of regulations.”*
- *“We won't invest in growing meat birds because we can't get a start license to do it at our farm. That would be \$40,000 of business that could be happening in Rhode Island, but now can't.”*
- *“Bureaucrats have no incentives to make themselves or those they serve successful. Generally it is safer for them to deny than approve. Risks aren't rewarded, they are penalized.”*

CONSTRUCTION AND UTILITIES

The Construction and Utilities sectors include companies that are engaged in the construction of buildings, engineering projects and the provision of utility services (e.g. electric, gas, etc.). One hundred twenty five (125) construction establishments and six utility establishments provided input through the small business survey. Some examples of Rhode Island firms in this area include residential and nonresidential builders, electrical contractors, plumbing and heating, ventilation and air conditioning contractors and solar power generators.

The majority (55.0%, 72 of 131) of survey respondents in this category are structured as S corporations (see Figure 3.1), with most (80.0%, 88 of 110) maintaining their business for over a decade (see Figure 3.2).

Figure 3.1: Business Structure

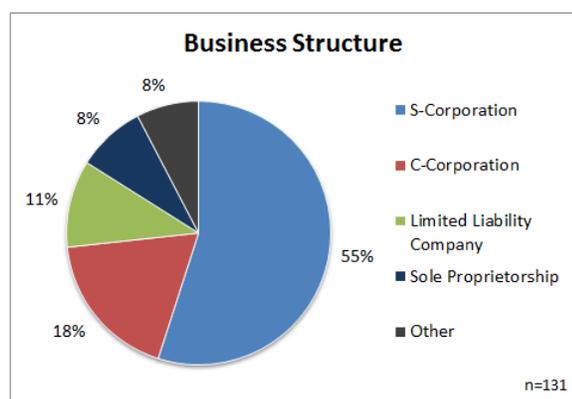
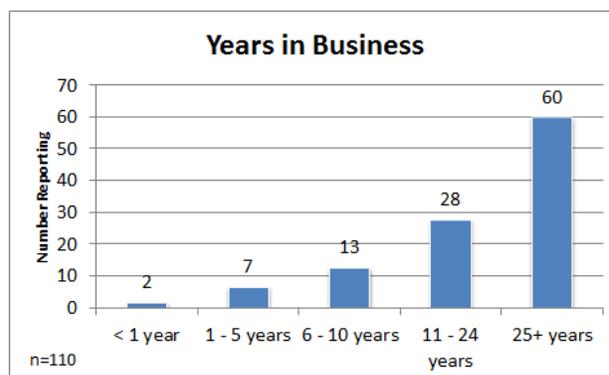


Figure 3.2: Years in Business



Opinions on Challenges and Regulations

When asked to rank the most important challenges facing their business, these owners identified health insurance costs, state regulations and decreased consumer demand as their top three challenges (see Table 3.1). Nearly three-quarters of respondents in this category stated that they feel there is too much state regulation (77.6%, 83 of 107) and that regulations in Rhode Island are overly challenging or burdensome (73.3%, 77 of 105).

Table 3.1: Top Challenges Reported

Challenges	Rank
Health Insurance Costs	1
State Regulations	2
Decreased Consumer Demand	3
Federal Regulations	4
Labor Costs	5
Availability of Credit	6
Local Ordinances	7
Increased Globalization/Competition	8
Personnel Management	9
Technological Changes	10

General regulations that were identified as challenging or burdensome by multiple businesses in the construction and utilities sector include:

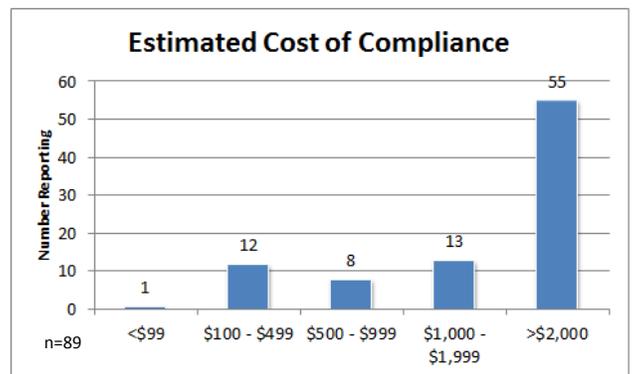
- Taxes (various)
- Workers' Compensation Regulations
- Building & Fire Code Regulations
- Payment of Wages and Prevailing Wage Regulations
- Apprenticeship Program Regulations
- Wastewater Regulations
- Professional Regulations (various)
- Regulations Governing Participation by Minority Business Enterprises

Specific regulations that were identified by ERLID number more than once include:

- ERLID 6212: Apprenticeship Programs in Trade and Industry
- ERLID 7107: Rules and Regulations Pertaining to Prevailing Wages
- ERLID 5976: Rhode Island State Building Code
- ERLID 4317: Sales and Use Tax – Interstate Sales
- ERLID 716: Regulations Governing Participation by Minority Business Enterprise in Public Projects

Sixty-two percent (61.8%, 55 of 89) of these entities estimate their cost for compliance at greater than \$2,000 per year (see Figure 3.3), while 38.6% (34 of 88) indicate hiring an outside consultant in order to understand how to comply with regulations. Finally, 64.4% (56 of 87) maintain that the above considerations have been a critical factor in growing and investing in their companies.

Figure 3.3: Estimated Cost of Compliance



Sample of Open-Ended Survey Responses

Business leaders in the Construction and Utilities industries have offered some of the following suggestions to improve the business climate in Rhode Island:

- *“Get them [local regulations] all the same across the entire state. Every town is enforcing different rules!”*
- *“I believe in education, training and communication. More assistance the gov't lends to the business with regards to educating the business on the regulations versus enforcing the regulations will develop better business, more compliant business and could reduce stress and strain on gov't to be a 'watch-dog'.”*
- *“Need to factor in the true cost of compliance including the cost of time and "pain" of the process.”*
- *“Fair and equal treatment to everyone.”*

FINANCE AND INSURANCE

The Finance and Insurance sectors include companies that are engaged in financial transactions (transactions involving the creation, liquidation, or change in ownership of financial assets) and/or in facilitating financial transactions. Twenty-two (22) finance and insurance establishments provided input through the small business survey. Some examples of Rhode Island firms in this area include banks, credit unions, investment advisors, insurance agencies and brokerages.

The largest proportion (36.4%, 8 of 22) of survey respondents in this category are structured as S-corporations (see Figure 4.1), with most (71.4%, 10 of 14) maintaining their business for over a decade (see Figure 4.2).

Figure 4.1: Business Structure

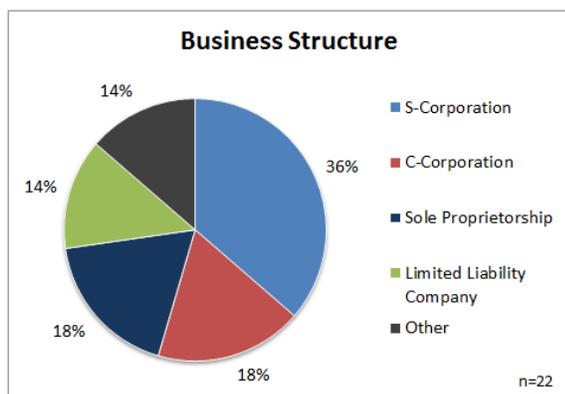
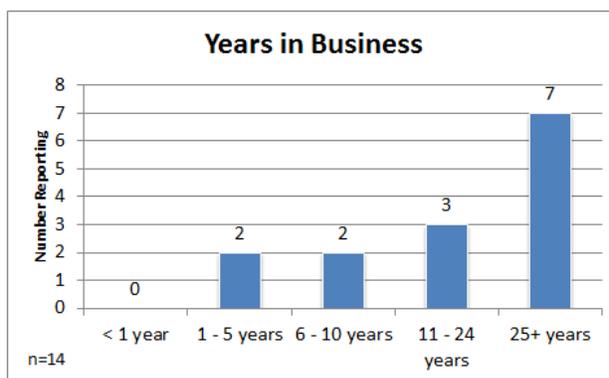


Figure 4.2: Years in Business



Opinions on Challenges and Regulations

When asked to rank the most important challenges facing their business, these owners identified health insurance costs, federal regulations and increased globalization/competition as their top three challenges (see Table 4.1). A little over one-quarter of respondents in this category stated that they feel there is too much state regulation (30.7%, 4 of 13) while about half (53.8%, 7 of 13) stated that regulations in Rhode Island are overly challenging or burdensome.

Table 4.1: Top Challenges Reported

Challenges	Rank
Health Insurance Costs	1
Federal Regulations	2
Increased Globalization/Competition	3
Labor Costs	4
Decreased Consumer Demand	5
State Regulations (tie)	6
Availability of Credit (tie)	6
Personnel Management	8
Technological Changes	9
Local Ordinances	10

General regulations that were identified as challenging or burdensome by businesses in the Finance and Insurance sector include:

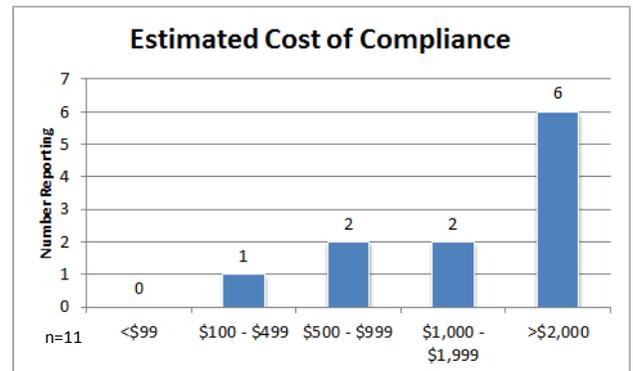
- Taxes (various)
- Payment of Wages and Prevailing Wage Regulations

Specific regulation that was identified by ERLID number:

- ERLID 7107: Rules and Regulations Pertaining to Prevailing Wages

Fifty-five percent (54.5%, 6 of 11) of these entities estimate their cost for compliance at greater than \$2,000 per year (see Figure 4.3), while 36.4% (4 of 11) indicate hiring an outside consultant in order to understand how to comply with regulations. Finally, 9.1% (1 of 11) maintain that the above considerations have been a critical factor in growing and investing in their companies.

Figure 4.3: Estimated Cost of Compliance



Sample of Open-Ended Survey Responses

Business leaders in the Finance and Insurance industries have offered some of the following suggestions to improve the business climate in Rhode Island:

- *“First let the agency that is over us be certified as we have to be, let the regulators be consistent in what they say and do and not one see black and the next one see white. Have consistency across the board.”*
- *“State regulations should mirror Fed regulations whenever possible.”*
- *“Use the public's ideas when they have specific opinions on how to best put these regulations and standards into practice. Often, business owners feel they are not really heard. They can talk, but nothing changes.”*
- *“Cap licensing cost per agency to a maximum irrelevant of size.”*

HEALTH CARE AND SOCIAL ASSISTANCE

The Health Care and Social Assistance sectors include those companies that provide services promoting optimal health and welfare. They are combined as it is sometimes difficult to distinguish the boundary between these two activities. Fifty-eight (58) establishments in this field provided input through the small business survey. Some examples of Rhode Island firms in this area include physician’s offices, individual and family social services, nursing-care facilities, and medical and diagnostic laboratories.

This category of survey respondents had a mixed business structure type, though more than half were organized as either S corporations (29.3%, 17 of 58) or not-for-profit organizations (22.4%, 13 of 58, see figure 5.1). Most owners (71.1%, 32 of 45) have maintained their business for over a decade (see Figure 5.2).

Figure 5.1: Business Structure

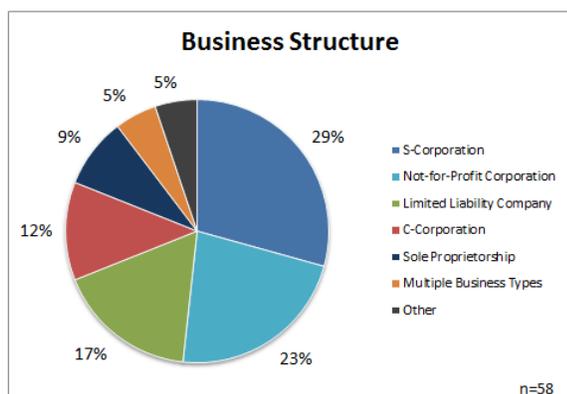
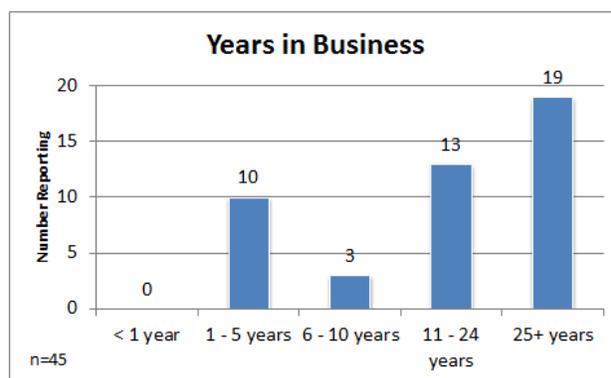


Figure 5.2: Years in Business



Opinions on Challenges and Regulations

When asked to rank the most important challenges facing their business, these owners identified health insurance costs, state regulations and federal regulations as their top three challenges (see Table 5.1). Nearly two-thirds of respondents in this category stated that they feel there is too much state regulation (69.8%, 30 of 43) and that regulations in Rhode Island are overly challenging or burdensome (62.8%, 27 of 43).

Table 5.1: Top Challenges Reported

Challenges	Rank
Health Insurance Costs	1
State Regulations	2
Federal Regulations	3
Labor Costs	4
Availability of Credit	5
Personnel Management	6
Technological Changes	7
Decreased Consumer Demand	8
Increased Globalization/Competition	9
Local Ordinances	10

General regulations that were identified as challenging or burdensome by businesses in the Health Care and Social Assistance sector include:

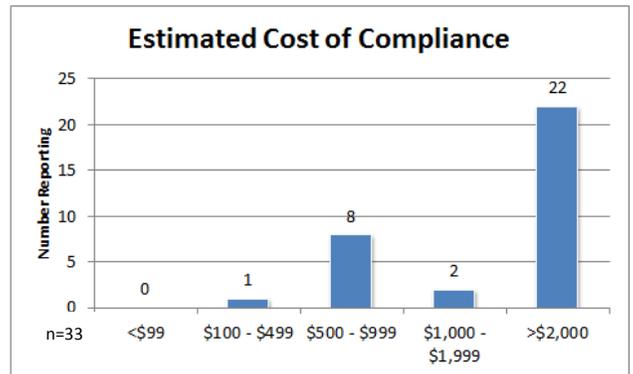
- Licensing Regulations (Various)
- Workers' Compensation Regulations
- Documentation Requirements
- Reimbursement Rates
- Emergency Medical Services Regulations
- Child Day Care Regulations

Specific regulations that were identified by ERLID number include:

- ERLID 1281: Child Day Care Center (1993)
- ERLID 5649: Standards for Approval of Preschool and Kindergarten Programs
- ERLID 6488, 7168, 7214, 7216: Rules and Regulations Related to the Licensing (Various)
- ERLID 6391: Preferred Provider Network Filing, Rules of Procedure
- ERLID 7073: Rules and Regulations Relating to Emergency Medical Services

Sixty-seven percent (66.7%, 22 of 33) of these entities estimate their cost for compliance at greater than \$2,000 per year (see Figure 5.3), while 45.5% (15 of 33) indicate hiring an outside consultant in order to understand how to comply with regulations. Finally, 65.6% (21 of 32) maintain that the above considerations have been a critical factor in growing and investing in their companies.

Figure 5.3: Estimated Cost of Compliance



Sample of Open-Ended Survey Responses

Business leaders in the Health Care and Social Assistance industries have offered some of the following suggestions to improve the business climate in Rhode Island:

- *“The state mandated health insurance benefits are a significant factor in the high cost of health insurance to RI employers and employees. Our state mandated benefits should be compared to mandated benefits of surrounding states with proposed changes made in hopes of making Rhode Island more competitive and lowering health insurance costs for Rhode Island employers and employees alike.”*
- *“I think when a business is required to meet other factors such as National Accreditation standards, then that should be enough to satisfy the state. Also regulations regarding certain paperwork requirements are burdensome for staff.”*
- *“More transparency, public meetings.”*
- *“When the business community is consulted for ideas, use them instead of listening to the ideas but not implementing them. Businesses are asked for input, but feel their input is ignored or not considered.”*

HOSPITALITY

The Hospitality industry sectors, including Accommodations, Food Services, Arts, Entertainment and Recreation, include companies that are engaged in preparing meals, providing lodging and offering services to meet cultural, entertainment and recreation interests. Twenty-six (26) accommodation and food service establishments and five arts, entertainment and recreation establishments provided input through the small business survey. Some examples of Rhode Island firms in this area include hotels, motels, travel agents, museums and caterers.

The largest proportion (35.5%, 11 of 31) of survey respondents in this category are structured as Limited Liability Companies (see Figure 6.1), with about half (52.6%, 10 of 19) having been in business for over a decade (see Figure 6.2).

Figure 6.1: Business Structure

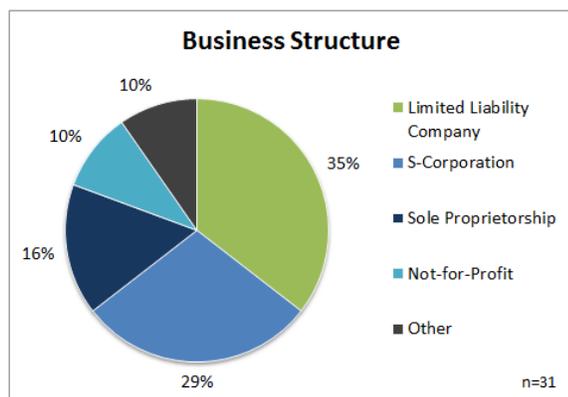
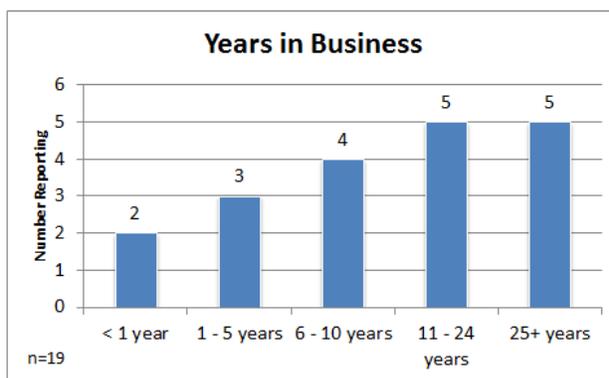


Figure 6.2: Years in Business



Opinions on Challenges and Regulations

When asked to rank the most important challenges facing their business, these owners identified health insurance costs, labor costs and state regulations as their top three challenges (see Table 6.1). About half of respondents in this category stated that they feel there is too much state regulation (43.8%, 7 of 16) and that regulations in Rhode Island are overly challenging or burdensome (53.3%, 8 of 15).

Table 6.1: Top Challenges Reported

Challenges	Rank
Health Insurance Costs	1
Labor Costs	2
State Regulations	3
Decreased Consumer Demand	4
Federal Regulations	5
Availability of Credit	6
Local Ordinances	7
Personnel Management	8
Increased Globalization/Competition	9
Technological Changes	10

General regulations that were identified as challenging or burdensome by businesses in the hospitality sector include:

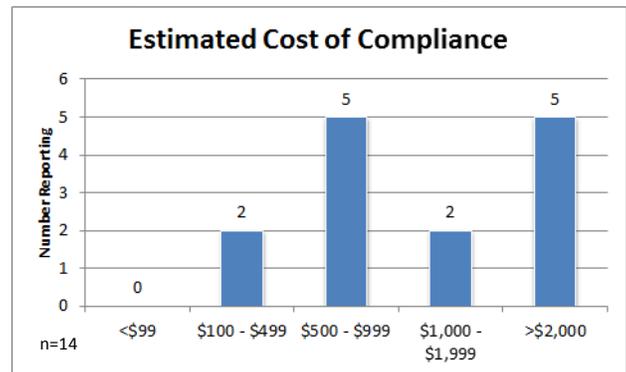
- Fire Code Regulations
- Food and Liquor Licenses
- Minimum Shift Schedules
- Unemployment Regulations

Specific regulations that were identified by ERLID number include:

- ERLID 3891: Rules and Regulations for the Certification of Alcohol Server Training Programs
- ERLID 5874: RI State Labor Relations Board General Rules and Regulations

Thirty-six percent (35.7%, 5 of 14) of these entities estimate their cost for compliance at greater than \$2,000 per year (see Figure 6.3); the same amount (again 35.7%, 5 of 14) admits to hiring an outside consultant in order to understand how to comply with regulations. Finally, 35.7% (5 of 14) maintain that the above considerations have been a critical factor in growing and investing in their companies.

Figure 6.3: Estimated Cost of Compliance



Sample of Open-Ended Survey Responses

Business leaders in the Hospitality industries have offered some of the following suggestions to improve the business climate in Rhode Island:

- *“Streamline the process, have staff available to answer questions, get rid of outdated licensing. We would rather pay one \$1,000 business license fee than ten \$100 fees that require random facts and forms.”*
- *“Get rid of ridiculous and duplicate regulations that amount to fees and are time consuming every year.”*
- *“I would look at other states that are growing their economies and implement some of the rules they have in place.”*
- *“Clear up overlapping state regulations as well as better integrate with federal FLSA and related acts. Great RI wants to put its own stamp on things but how about making it clearer (esp. in legislation) how it relates to federal law/regulations.”*

MANUFACTURING

The Manufacturing sector is comprised of companies that are engaged in the mechanical, physical, or chemical transformation of materials, substances, or components into new products. One hundred thirteen (113) manufacturing establishments provided input through the small business survey. Some examples of Rhode Island firms in this area include manufacturers of food, beverages, textiles, apparel, chemicals, plastics and rubber, fabricated metal, machinery, computer and electronic products, and transportation equipment.

Just under half (44.2%, 50 of 113) of survey respondents in this category are structured as S type corporations (see Figure 7.1), with most (69.4%, 68 of 98) maintaining their business for over 25 years (see Figure 7.2).

Figure 7.1: Business Structure

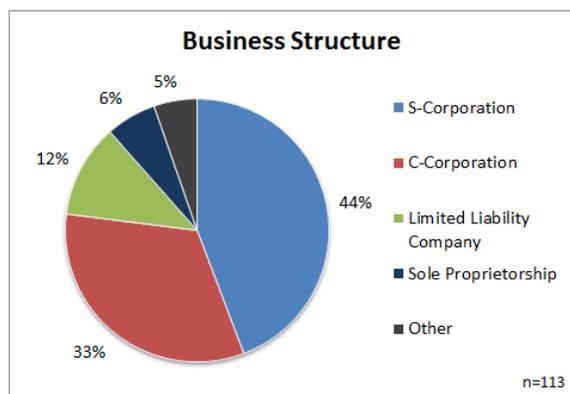
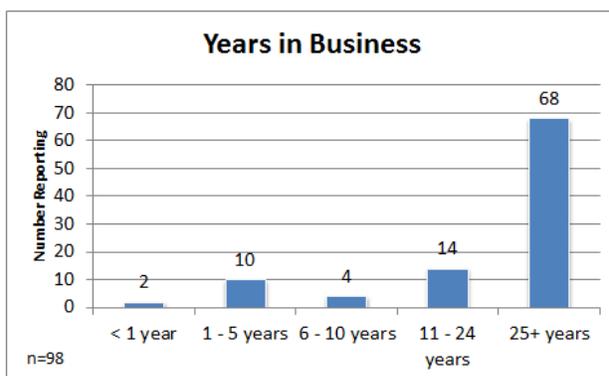


Figure 7.2: Years in Business



Opinions on Challenges and Regulations

When asked to rank the most important challenges facing their business, these owners identified health insurance costs, labor costs and federal regulations as their top three challenges (see Table 7.1). Nearly two-thirds of respondents in this category stated that they feel there is too much state regulation (65.9%, 56 of 85) and that regulations in Rhode Island are overly challenging or burdensome (62.2%, 51 of 82).

Table 7.1: Top Challenges Reported

Challenges	Rank
Health Insurance Costs	1
Labor Costs	2
Federal Regulations	3
State Regulations	4
Increased Globalization/Competition	5
Decreased Consumer Demand	6
Availability of Credit	7
Personnel Management	8
Technological Changes	9
Local Ordinances	10

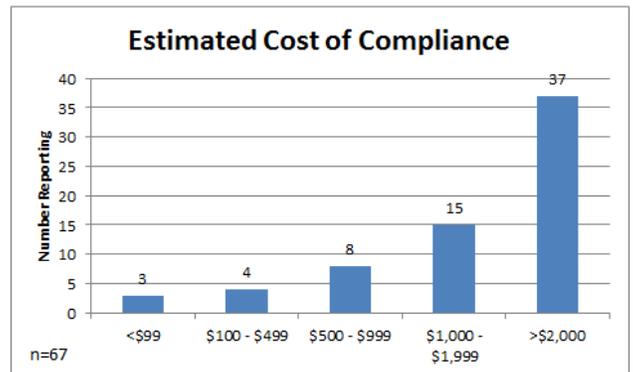
General regulations that were identified as challenging or burdensome by multiple businesses in the Manufacturing sector include:

- Taxes (various)
- Regulations surrounding Air and Water Toxins
- Hazardous Waste Regulations
- Fire Code Regulations
- Apprenticeship Program Regulations
- Occupational Safety and Health Regulations
- Workers' Compensation Regulations

This group did not identify specific regulations by ERLID number.

Figure 7.3: Estimated Cost of Compliance

Fifty-five percent (55.2%, 37 of 67) of these entities estimate their cost for compliance at greater than \$2,000 per year (see Figure 7.3), while 40.1% (27 of 66) indicate hiring an outside consultant in order to understand how to comply with regulations. Finally, 42.4% (28 of 66) maintain that the above considerations have been a critical factor in growing and investing in their companies.



Sample of Open-Ended Survey Responses

Business leaders in the Manufacturing industry have offered some of the following suggestions to improve the business climate in Rhode Island:

- *“Simplify, reduce regulations as far as possible; I can spend my time and money on business activities. Get rid of the famous regulations that make RI biz unfriendly, especially the double sales tax for out of state purchases and the inventory tax. Look at good biz states and laws and copy. Do not feel you need to reinvent!”*
- *“It appears that not even the enforcers of the regulations are sure of what is needed to be in compliance.”*
- *“Lower taxes. Cut stupid meddlesome regulations. Take a look around at why our state ranks at the bottom in most categories. Wake up.”*
- *“Greater sensitivity to new/small businesses (a business can't grow if burdened by the same regulations as businesses 10 times its size!), small business affordable health care options.”*
- *“Common sense approach.”*

PROFESSIONAL, SCIENTIFIC, TECHNICAL AND INFORMATION SERVICES

The sectors of Professional, Scientific, Technical and Information Services involve industries that require a high degree of expertise and training. Elements of these sectors may be considered part of the “knowledge” or “information” economy. One hundred twenty-three (123) establishments in this area provided input through the small business survey. Some examples of Rhode Island professionals in this area include lawyers, accountants, architects, graphic designers, computer programmers, consultants, researchers, publishers, broadcasters and telecommunications specialists.

The largest proportion (43.1%, 53 of 123) of survey respondents in this category are structured as S corporations (see Figure 8.1), with most (71.2%, 74 of 104) maintaining their business for over a decade (see Figure 8.2).

Figure 8.1: Business Structure

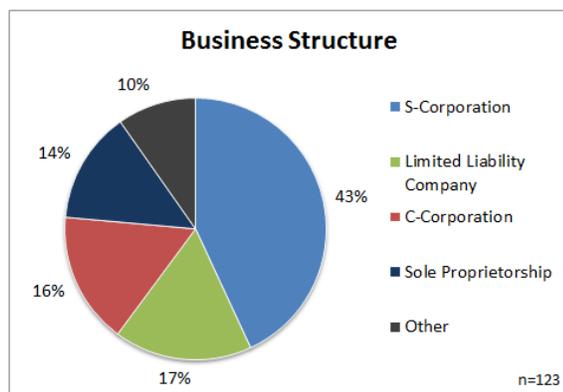
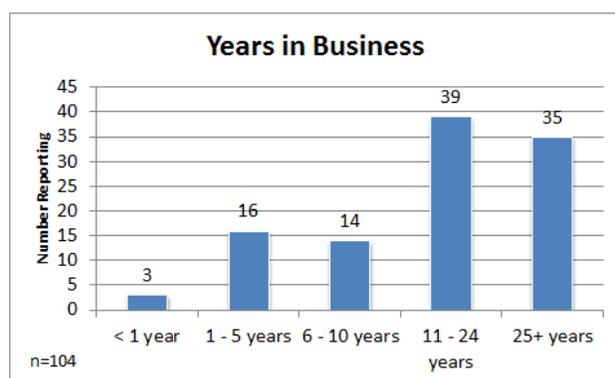


Figure 8.2: Years in Business



Opinions on Challenges and Regulations

When asked to rank the most important challenges facing their business, these owners identified health insurance costs, decreased consumer demand and federal regulations as their top three challenges (see Table 8.1). Just over half of respondents in this category stated that they feel there is too much state regulation (53.2%, 50 of 94); while just under half stated that regulations in Rhode Island are overly challenging or burdensome (41.9%, 39 of 93).

Table 8.1: Top Challenges Reported

Challenges	Rank
Health Insurance Costs	1
Decreased Consumer Demand	2
Federal Regulations	3
State Regulations	4
Labor Costs	5
Increased Globalization/Competition	6
Availability of Credit	7
Personnel Management	8
Technological Changes	9
Local Ordinances	10

General regulations that were identified as challenging or burdensome by businesses in the Professional, Scientific, Technical and Information services sector include:

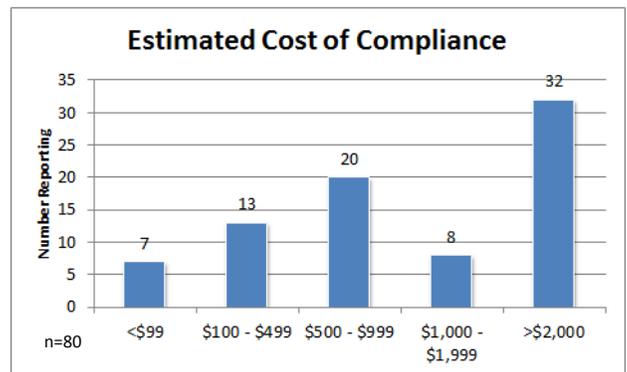
- Taxes (various)
- Overtime Regulations
- Fire Code Regulations
- Tolls

Specific regulation that was identified by ERLID number:

- ERLID 7138: Rhode Island Fire Safety Code Effective 01-01-2013

Figure 8.3: Estimated Cost of Compliance

Forty percent (40.0%, 32 of 80) of these entities estimate their cost for compliance at greater than \$2,000 per year (see Figure 8.3), while 31.6% (25 of 79) indicate hiring an outside consultant in order to understand how to comply with regulations. Finally, 32.9% (26 of 79) maintain that the above considerations have been a critical factor in growing and investing in their companies.



Sample of Open-Ended Survey Responses

Business leaders in the Professional, Scientific, Technical and Information industries have offered some of the following suggestions to improve the business climate in Rhode Island:

- *“Evaluate the regulation purely on the need for safety to the public and employees - There are so many “extra” fees and costs, red tape that seem needless and unproductive.”*
- *“Streamline and simplify. I am a sole proprietor. When I am caught up in regulatory paperwork I am not producing (earning a living).”*
- *“The state should provide incentives for any knowledge based businesses to move or expand operations in the state.”*
- *“The issue isn’t whether RI has too many or not enough regulations. The big issue is whether the regulatory requirements and processes have been streamlined to accomplish their public purpose with the least possible burden. Moving filing forms online is a big help.”*

RETAIL TRADE

The Retail Trade sector is comprised of establishments engaged in selling merchandise and rendering services incidental to the sale of merchandise. Fifty (50) retail establishments provided input through the small business survey. Some examples of Rhode Island firms in this area include motor vehicle dealers, furniture and home furnishing stores, building material and supplies dealers, health and personal care stores, sporting goods stores, book stores and general merchandise stores.

The largest proportion (42.9%, 21 of 49) of survey respondents in this category are structured as S corporations (see Figure 9.1), with most (62.2%, 23 of 37) maintaining their business for over a decade (see Figure 9.2).

Figure 9.1: Business Structure

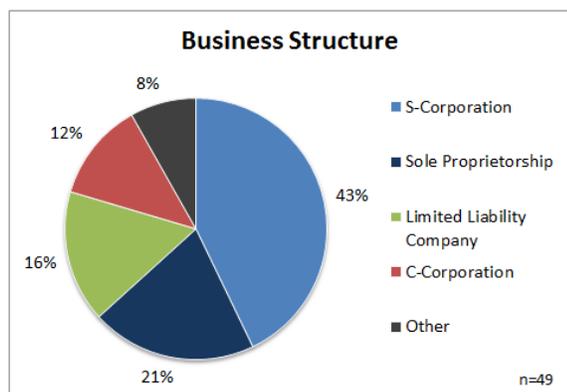
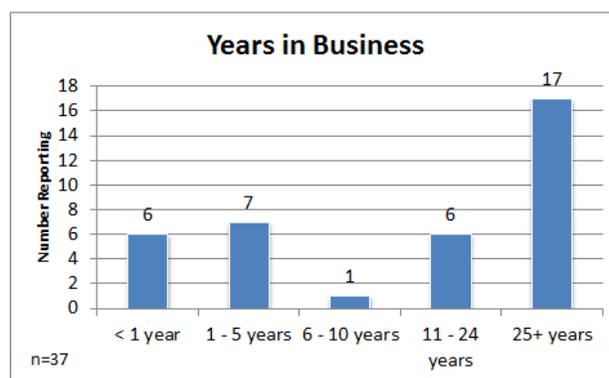


Figure 9.2: Years in Business



Opinions on Challenges and Regulations

When asked to rank the most important challenges facing their business, these owners identified health insurance costs, decreased consumer demand and federal regulations as their top three challenges (see Table 9.1). Approximately two-thirds of respondents in this category stated that they feel there is too much state regulation (67.6%, 23 of 34), while just under half stated that regulations in Rhode Island are overly challenging or burdensome (48.5%, 16 of 33).

Table 9.1: Top Challenges Reported

Challenges	Rank
Health Insurance Costs	1
Decreased Consumer Demand	2
Federal Regulations	3
State Regulations	4
Availability of Credit	5
Labor Costs	6
Increased Globalization/Competition	7
Personnel Management	8
Local Ordinances	9
Technological Changes	10

General regulations that were identified as challenging or burdensome by businesses in the Retail Trade sector include:

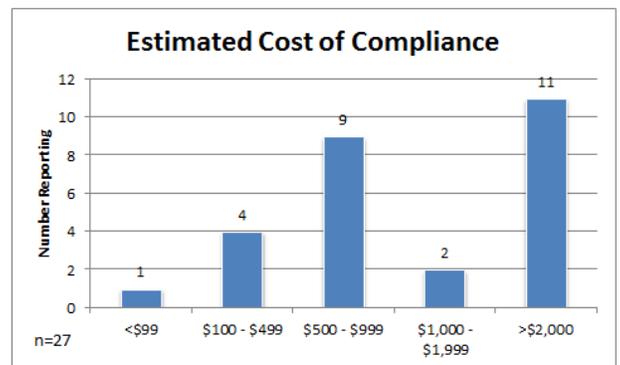
- Taxes (various)
- Sunday and Holiday Work Regulations

Specific regulations that were identified by ERLID number include:

- ERLID 4317: Sales and Use Tax – Interstate Sales
- ERLID 448: Bank Excise Tax Apportionment of Net Income or Loss
- ERLID 2875: Allocation of Income and Net Worth
- ERLID 7164: Rules and Regulations Relating to Exemptions for Work on Holidays and Sundays

Forty-one percent (40.7%, 11 of 27) of these entities estimate their cost for compliance at greater than \$2,000 per year (see Figure 9.3), while 25.9% (7 of 27) indicate hiring an outside consultant in order to understand how to comply with regulations. Finally, 34.6% (9 of 26) maintain that the above considerations have been a critical factor in growing and investing in their companies.

Figure 9.3: Estimated Cost of Compliance



Sample of Open-Ended Survey Responses

Business leaders in the Retail Trade industries have offered some of the following suggestions to improve the business climate in Rhode Island:

- *“All regulations should have a 'sunset' provision. All regulations should be supported by a cost benefit analysis justifying the additional burden.”*
- *“Let the business community offer constructive ways to monitor themselves.”*
- *“Listen to these suggestions. We all want to do the right thing. Instead of crucifying (taxing & regulating) business, reward them for stimulating the state economy! If we don't have any unique ideas, look to other 'business friendly' states and adopt some of their tactics. We have SO much in resources (BEAUTIFUL state, predominantly good citizenry with a diverse culture base, predominantly good work force (people who believe in an honest day's work for an honest day's pay vs. just being 'entitled'), infrastructure in place with potential to expand, central location for interstate and global growth), but we WASTE it!”*
- *“Let the company get started before collecting arbitrary taxes and fees. Let that money be invested in inventory or other start-up costs.”*

WHOLESALE TRADE

The Wholesale Trade sector is comprised of establishments engaged in wholesale merchandise and rendering services incidental to the sale of merchandise. Twenty-one (21) wholesale establishments provided input through the small business survey. Some examples of Rhode Island firms in this area include wholesalers of motor vehicle parts, metals, household appliances, grocery products, chemical products and wine and distilled alcohol.

About half (52.4%, 11 of 21) of survey respondents in this category are structured as S-corporations (see Figure 10.1), with half (50.0%, 9 of 18) maintaining their business for over twenty five years (see Figure 10.2).

Figure 10.1: Business Structure

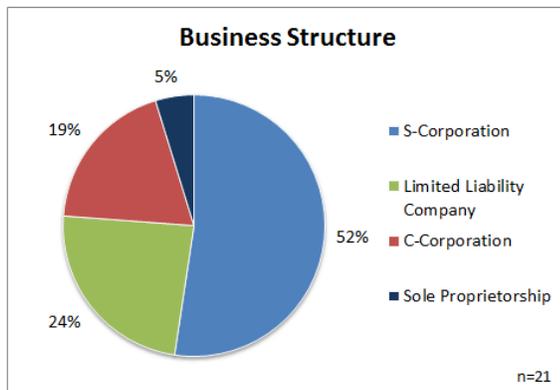
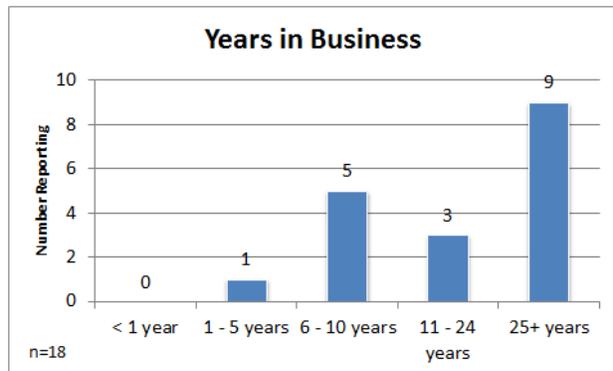


Figure 10.2: Years in Business



Opinions on Challenges and Regulations

When asked to rank the most important challenges facing their business, these owners identified health insurance costs, federal regulations and increased globalization/competition as their top three challenges (see Table 10.1). About three-quarters of respondents in this category stated that they feel there is too much state regulation (77.8%, 14 of 18), while just over half stated that regulations in Rhode Island are overly challenging or burdensome (55.6%, 10 of 18).

Table 10.1: Top Challenges Reported

Challenges	Rank
Health Insurance Costs	1
Federal Regulations	2
Increased Globalization/Competition	3
State Regulations	4
Decreased Consumer Demand	5
Labor Costs	6
Availability of Credit	7
Local Ordinances	8
Personnel Management	9
Technological Changes	10

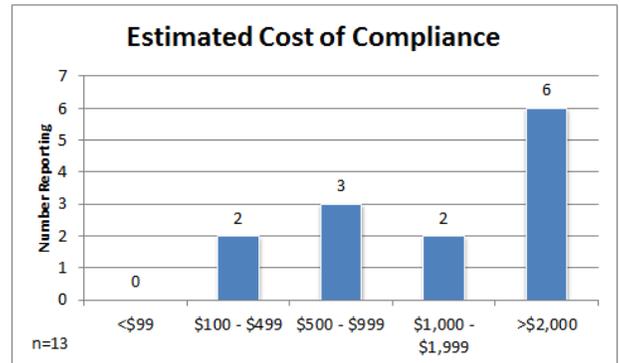
General regulations that were identified as challenging or burdensome by businesses in the Wholesale Trade sector include:

- Taxes (various)

This group did not identify specific regulations by ERLID number.

Forty-six percent (46.2%, 6 of 13) of these entities estimate their cost for compliance at greater than \$2,000 per year (see Figure 10.3), while 38.5% (5 of 13) indicate hiring an outside consultant in order to understand how to comply with regulations. Finally, 5.8% (7 of 13) maintain that the above considerations have been a critical factor in growing and investing in their companies.

Figure 10.3: Estimated Cost of Compliance



Sample of Open-Ended Survey Responses

Business leaders in the Wholesale Trade industries have offered some of the following suggestions to improve the business climate in Rhode Island:

- *“Let the private sector police itself. Establish minimal regulations that help the quality/ethical business owner, but are enforceable to the point where other businesses that do not follow the regulations will get penalized.”*
- *“Cut government spending & reduce taxes.”*
- *“I get tired of running a business in RI that is known as “the worst state to do business in” and yet, I do not know what is so bad about RI vs. say MA or CT?”*
- *We need a more positive reputation. As a wholesaler, we do not have too many issues with regulations.”*
- *“Consider the burdens of constantly filing reports and fees on the small business.”*

OTHER SERVICES

Other Services represents the amalgamation of industries that participated in Governor Chafee’s small business survey but did not have a substantial enough number of responses (fewer than 20) to warrant an individual analysis. This category represents 65 establishments that represent Rhode Island firms in the areas of Real Estate, Transportation and Warehousing, Auxiliary Educational Services, Repair and Maintenance Services as well as other fields.

As might be expected, the business structure is mixed for this group. The largest proportion (35.4%, 23 of 65) of survey respondents in this category are structured as S corporations (see Figure 11.1), with most (70.0%, 35 of 50) maintaining their business for over a decade (see Figure 11.2).

Figure 11.1: Business Structure

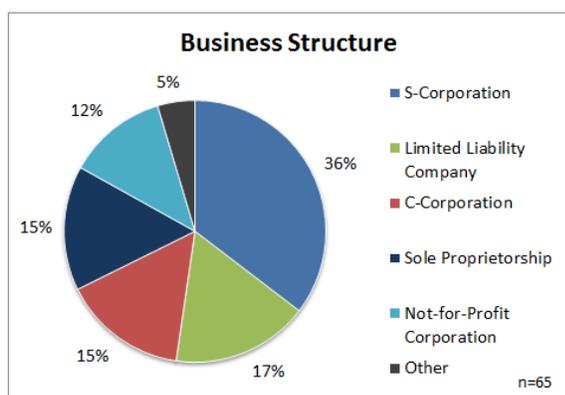
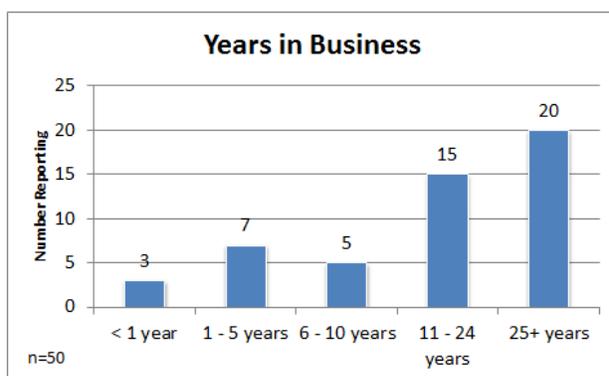


Figure 11.2: Years in Business



Opinions on Challenges and Regulations

When asked to rank the most important challenges facing their business, these owners identified state regulations, health insurance costs and federal regulations as their top three challenges (see Table 11.1). Over half of respondents in this category stated that they feel there is too much state regulation (60.4%, 29 of 48) and that regulations in Rhode Island are overly challenging or burdensome (63.6%, 28 of 44).

Table 11.1: Top Challenges Reported

Challenges	Rank
State Regulations	1
Health Insurance Costs	2
Federal Regulations	3
Decreased Consumer Demand	4
Labor Costs	5
Availability of Credit	6
Local Ordinances	7
Increased Globalization/Competition	8
Personnel Management	9
Technological Changes	10

General regulations that were identified as challenging or burdensome by businesses in this group include:

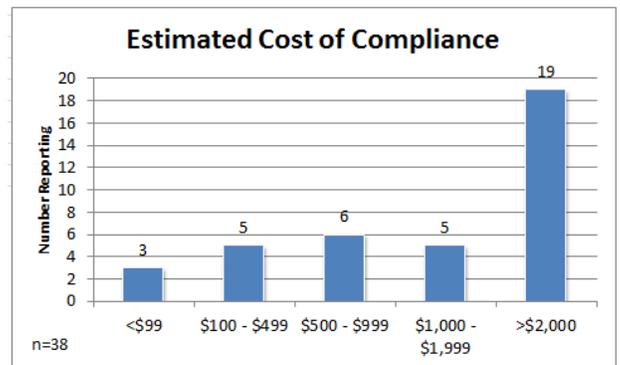
- Taxes (various)
- Taxicab Regulations
- Ground Transportation Regulations
- Apprenticeship Program Regulations
- Building & Fire Code Regulations
- CDL Regulations
- Unemployment Regulations
- TDI Regulations
- Wastewater Regulations

Specific regulations that were identified by ERLID number include:

- ERLID 7138: Rhode Island Fire Safety Code Effective 01-01-2013
- ERLID 6992: Food Code
- ERLID 6854: Business Corporation Tax / Limited Liability Companies

Half (50.0%, 19 of 38) of these entities estimate their cost for compliance at greater than \$2,000 per year (see Figure 11.3); while 47.4% (18 of 38) indicate hiring an outside consultant in order to understand how to comply with regulations. Finally, 36.1% (13 of 36) maintain that the above considerations have been a critical factor in growing and investing in their companies.

Figure 11.3: Estimated Cost of Compliance



Sample of Open-Ended Survey Responses

Business leaders in this grouping of industries have offered some of the following suggestions to improve the business climate in Rhode Island:

- *“Implement a Solar Licensing program similar to CT.”*
- *“Revise certain regulations that hinder the growth of new businesses. New businesses ultimately create new jobs for our distressed economy [transportation].”*
- *“Extraordinary time needed to receive compliance from multitude of commissions both on State and local levels.”*
- *“Consistent approach to permitting.”*
- *“Less government, more support for small business!”*

METHOD

DESIGN

The small business survey was designed through a collaborative effort between Governor Chafee's Office and the staff of the Rhode Island Office of Management and Budget's Office of Regulatory Reform. It included 16 questions, allowing for both closed and open-ended responses, which were estimated to take 10 minutes of a participant's time. Questions were administered via the Internet through a well-established, cloud based web survey company. The survey is included as **Attachment A** of this report. Some example survey questions include:

- Considering state regulations that directly affect your business, would you say there is the right amount of regulation, too little, or too much regulation? (closed-ended)
- Have state regulations ever been a critical factor in your decision to grow and invest in your company? (closed-ended)
- Do you have any ideas and/or suggestions to bring a better balance between regulations and business growth? (open-ended)

PARTICIPANTS

Potential participants were identified through small business contacts held by the Rhode Island Department of Labor and Training, the Rhode Island Secretary of State's Office, the Rhode Island Economic Development Corporation and by business owners that left their contact information after participating in one of Governor Chafee's community forums. A master list of 6,017 business email addresses were gathered from the above sources.

For the purposes of this survey, the United States Small Business Administration's definition of "small business" was used in identifying participants. One of the principal elements of this definition is that the business (depending on industry) should have fewer than 500 employees.

In an effort to further expand participation, the Office of Regulatory Reform contacted multiple local business associations who were able to share the Governor's request with their affiliated businesses. Organizations that provided much appreciated support include:

- **Central Rhode Island Chamber of Commerce**
- **Greater Providence Chamber of Commerce**
- **Greater Westerly-Pawcatuck Chamber of Commerce**
- **Newport County Chamber of Commerce**
- **Northern Rhode Island Chamber of Commerce**
- **Rhode Island Builders Association**
- **Rhode Island Manufacturers Association**
- **Smaller Business Association of New England**

- **Rhode Island Nursery and Landscaping Association**

All participants received an email invitation from Governor Chafee, which outlined the survey's intent and provided a link to the online survey. The survey was made available for just over a two-week period between January 31st, 2013, and February 15th, 2013. Participants were also given the option to opt out of future email contact.

The results in this report are based on 709 responses from a variety of Rhode Island-based industries that provided input on the state regulatory climate. From this data, it was apparent that specific industry types had enough representation to warrant further analysis. This industry-by-industry analysis can be found in the earlier section of this report. One will notice some similar industries (e.g. accommodations, food services and entertainment) were collapsed together to represent broader categories (e.g. hospitality).

While there were 709 responses, it should be noted that not all participants completed the entire survey. Questions that involved looking up a data element on a provided resource (e.g. "What is your specific industry classification code?" or "What is the number of the specific regulation that you find challenging?") were the most likely candidate questions where a participant would decide not to continue the survey. For the two examples given, 201 candidates (28%) decided to end their survey participation. Every effort was made by the analysis team to incorporate all of the received input. To this end, percentages in the report are often paired with the number of people reporting. Though some individuals decided not to complete the survey, a number of participants noticeably took the time to provide the Governor with comprehensive and thoughtful responses; an equivalent amount of whom (201 or 28%) provided additional contact information for follow up questions.

NEXT STEPS

Regulations are an important component to protecting the health and safety of Rhode Islanders and ensuring protection to the environment in which we live. However, prudence must be exercised in order to ensure that rulemaking does not inadvertently hamstring Rhode Island's economic success by placing undue burdens on business. The input provided by small business leaders has provided valuable insight and commentary to Governor Chafee and the Regulatory Reform Initiative.

The Office of Regulatory Reform (ORR) will continue to carry out this initiative by providing each regulatory body with the findings of this survey. Those regulations identified specifically by survey participants will receive top priority during the current regulatory review analysis period. Regulatory entities will be required to provide an economic impact analysis, if not already provided for in an earlier round, look specifically for the intended and unintended consequences of the regulation and take the appropriate corrective action steps as necessary. Survey responses speaking directly to specific concerns with regulatory issues will be highlighted and discussed with the regulators.

The ORR will also provide the regulatory entities with current listings of trade associations, chambers of commerce, and other membership entities so that they may have up-to-date and accurate information for business community contacts. Regulators will be strongly encouraged to create, enhance or expand their advisory boards to include, where applicable, small business leaders to help ensure on-going open dialog between the parties.

Throughout the state's efforts to make a clear, predictable and reliable regulatory system, the ORR will continue to provide departments with assistance and guidance to take up Governor Chafee's call to develop bold and proactive solutions to address the challenges faced by small business and their ability to comply with and navigate Rhode Island's regulatory environment.

For more information regarding this report or Governor Chafee's Regulatory Reform Initiative please contact:

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ATTACHMENT A



State of Rhode Island and Providence Plantations
State House, Room 224
Providence, Rhode Island 02903
401-222-2080

Lincoln D. Chafee
Governor

January 31, 2013

Dear Business Leader:

As you may know, the legislature passed and I signed into law a measure last June that will help make government run more efficiently and make Rhode Island more business friendly, 2012 Public Law 445. As a business leader in our state, I wanted to take this opportunity to inform you of this measure, of my directive to state agencies to accelerate that work, and to ask for your input as we work together as a state to improve the business climate of Rhode Island.

The new law requires each agency to review 25 percent of its regulations each year for four years until all existing regulations have been evaluated for any adverse impacts on small businesses. It also required the Office of Regulatory Reform (ORR) to provide assistance to agencies throughout the review.

We currently have 1,642 regulations in the state and the impact of those regulations on small businesses in particular is unclear. Unsatisfied with a four-year review period to determine the impact of regulations on Rhode Island small businesses, I announced on September 12, 2012, an initiative to accelerate this regulatory review by directing regulatory entities to complete an evaluation of 25 percent of its regulations within a 120-day review period by December 31.

On December 28, 2012, I instructed each agency to begin the second 120-day review of its regulations for any adverse impact on small businesses. This process will continue until all state regulations have been reviewed for any adverse impacts on small businesses.

Each regulatory entity will provide ORR with recommendations to revise, repeal, or keep the regulations based on its reviews, including for regulations that are mandated by state or federal statutes. ORR will have 90 days to review those recommendations.

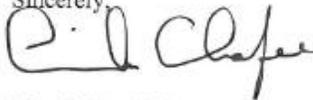
January 31, 2013
Page Two

To help guide the ORR's review, we need your help. No one knows better the impact of regulations on a small business than the small business owners themselves. ORR, led by Leslie Taito, has developed a survey on Rhode Island's business regulatory environment that I ask you to complete within the next two weeks so that Leslie and her team can target their review to those regulations that small businesses tell us are the most burdensome. The short survey includes a range of questions that will help us identify specific regulations and explore solutions to save your businesses time and resources so you can focus on investing and growing your business in Rhode Island.

Please go to <https://www.surveymonkey.com/s/RIregulatoryreform> to complete your survey by **Friday, February 15**. We are working to create a clear, predictable, and reliable regulatory system, and you and the staff at your business are key partners in that effort. Your participation is greatly valued and appreciated.

Thank you for your support of this important initiative.

Sincerely,



Lincoln D. Chafee
Governor

Many thanks!

Rhode Island Regulatory Environment Survey

Governor Lincoln Chafee is seeking input from businesses regarding Rhode Island's regulatory environment. Please answer the following questions. Your responses and comments will be taken very seriously and will be reviewed in the context of our Regulatory Reform initiative currently underway. Any comments directly impacting state agencies will be shared anonymously and in the aggregate only with the agencies. If you have any questions, please send an email to Leslie Taito at Leslie.Taito@omb.ri.gov. Thank you in advance for your participation.

1. Please indicate which of the following describes your business:

- Sole Proprietorship
- General Partnership
- Limited Liability Partnership
- Limited Liability Company
- S-Corporation
- C- Corporation
- Not-for-Profit Corporation

2. What primary industry is your business in?

- Retail
- Hospitality and Tourism
- Manufacturing
- Health Care/Life Science
- Digital/IT
- Consumer Products
- Transportation/Warehousing
- Construction
- Financial Services
- Healthcare
- Food Services
- Other: _____

3. What is your company's primary NAICS Code?

- Number: _____
- Don't know

* Note: For the most current list of the North American Industry Classification Systems (NAICS) codes with definitions:

http://www.census.gov/eos/www/naics/2007NAICS/2007_Definition_File.pdf.

4. How many years have you been in business?

- < 1 year
- 2-5 years
- 6-10 years
- 11 to24 years
- 25+ years

5. Which of the following would you say are the most important challenges facing your business today? Please rank these in order 1 being the most important 10 being the least.

- Availability of Credit
 - Decreased Consumer Demand
 - Federal Regulations
 - Health Insurance Costs
 - Increased Competition/Globalization
 - Labor Costs
 - Personnel Management
 - State Regulations
 - Local Ordinance
 - Technology Changes
6. Considering state regulations that directly affect your business, would you say there is the right amount of regulation, too little, or too much regulation?
- Right Amount of Regulation
 - Too Little Regulation
 - Too Much Regulation
 - Unsure
7. How many state regulations does your company currently have to comply with?
- 1 to 5
 - 6 to 10
 - 11 to 15
 - 16 to 25
 - 25+
8. Of those regulations, do you find any of them challenging or overly burdensome to comply with?
- Yes
 - No
9. If yes, what specific regulation(s) do you find most challenging, or overly burdensome to comply with? Please enter regulation number, ERLID ID# or title of regulation.
- * Note: To find specific information on State regulations by department, please go the Rhode Island Secretary of State's website at <http://sos.ri.gov/rules/>.
10. What is the estimated cost to your company to comply with state regulations? Please include administration costs, fees, required equipment and/or infrastructure improvements and external professional services. Please provide dollar amount.
- <\$99
 - \$100 to \$499
 - \$500 to \$999
 - \$1,000 to \$1,999
 - >\$2,000
11. Does your company have to hire outside consultants to comply with state regulatory requirements?
- Yes
 - No

12. Have state regulations ever been a critical factor in your decision to grow and invest in your company?
- Yes
 - No
13. If yes, can you specifically site which regulation impacted your decision in a positive or negative way?
14. Do you have any ideas and/or suggestions to bring a better balance between regulations and business growth?
15. May we contact you directly if there are any questions regarding your responses or for future surveys?
- Yes, you may contact me:
 - No, I do not wish to be contacted
16. If yes, please provide your name, business name, mailing address, email address, and phone number
- Name
 - Mailing Address
 - City
 - Zip Code
 - Email
 - Phone Number

Thank you for taking the time to complete this survey. Your comments are greatly appreciated. Please visit www.governor.ri.gov/ for updates on the state's progress to review existing regulations to determine the impact on small businesses.

Are you aware of the Rules Tracker program available on the Secretary of State's website that allows you to receive notification of rules and regulation activity? Please visit the site at: <http://sos.ri.gov/rules/freshregs/>. In addition, the Secretary of State's website has a searchable database for all proposed rules that are in the public comment period. Please visit the site at: <http://sos.ri.gov/ProposedRules/>.