

Testimony on Senate Bill 128

Submitted by Joe Horvath, Assistant Policy Director

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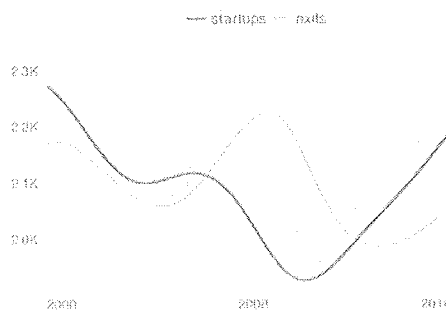
I would first like to thank the committee for taking this testimony. My name is Joe Horvath. I am the assistant policy director at the Yankee Institute for Public Policy, a Connecticut-based free market think tank. I am submitting testimony in support of Senate Bill 128.

The cost and difficulty of doing business in Connecticut is high. Between taxes, fees, licensing requirements, permitting, and regulatory burden, starting a business in this state is difficult. Our policies are typically ranked among the nation's least friendly to business, per a number of 50-state indices:

- 43: Small Business and Entrepreneurship Council, *Small Business Policy Index (2017)*
- 47: CNBC, *America's Top States for Business (2016)*, "Cost of doing business"
- 46: Forbes, *Best States for Business (2016)*, "Regulatory environment rank"
- F: The Economist, *The Best and Worst States for Business (2014)*, "Regulations"
- 46: The Cato Institute, *Freedom in the 50 States (2015-16)*, "Regulatory freedom"

Because of the state's challenging climate, new businesses struggle to open and stay open. Connecticut has the second-worst track record of start-up and new entrepreneurship activity in New England, according to the Kauffman Index of Startup Activity. Our startup rates are lower than they should be, and exit rates (meaning when firms go from at least one employee to none and remain closed for at least one year) are higher than they need to be. Senate Bill 128 would alleviate the challenges of starting a business in this state and contribute to increased employment, job creation, and economic growth.

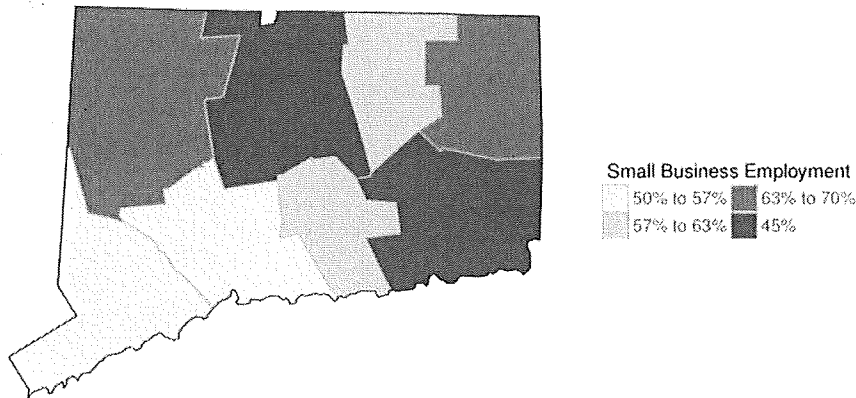
Figure 3: Connecticut Quarterly Startups and Exits



Source: SBA Office of Advocacy, *Connecticut Small Business Profile, 2017*

Small business is the driver of Connecticut's economy, and the best means of economic mobility for its workers. According to the Small Business Administration (which defines small business as firms with less than 500 employees), Connecticut has more than 330,000 such businesses, accounting for more than 99 percent of all firms. Those businesses employ approximately 50 percent of the workforce. Small businesses employ their largest shares of workers in Windham and Litchfield Counties, meaning policies impacting startups for the whole state would have exceptionally high impact in those counties. That said, all but two counties see at least 50 percent worker employment in small businesses.

Figure 4: Connecticut Small Business Percent of Employment by County



Source: SBA Office of Advocacy, Connecticut Small Business Profile, 2017

Learning how to operate a business profitably is difficult in and of itself. Learning all the applicable laws, regulations, and best practices without any grace period is exceedingly hard. If it is the committee's goal to increase employment and help small businesses start and grow, then it would be wise to approve this bill. It takes time to learn the ins and outs of compliance, particularly for individuals who do not have legal training or the resources to pay exorbitant fees for constant counsel.

Temporarily relaxing standards for new businesses would give them a chance to catch their breath, learn the rules, and hopefully generate revenue to help them overcome the costs of doing business in Connecticut.