



Senate Inter-Governmental Operations Committee

October 9, 2020

SB 1131 – Streamlining Government

Good morning, Chairman Mastriano, Chairman Fontana, and members of the committee. My name is Rebecca Oylar, and I am the Legislative Director for the National Federation of Independent Business (NFIB) in Pennsylvania. NFIB is the premier small business advocacy organization, with over 13,000 members in Pennsylvania and about 300,000 members nationwide. We appreciate your allowing us to be here today to speak about legislative efforts to improve government efficiency and reduce the red tape that Pennsylvania's small businesses must face.

As you know, small businesses always have and always will make up an enormous segment of Pennsylvania's business community. More than 99% of Pennsylvania businesses are small. They have also been disproportionately impacted by the COVID-19 emergency, so we are thankful for the opportunity to contribute to the discussion today.

It's hard to believe it's been almost a year since we were here in Chambersburg discussing red tape. While it's clear that no one could possibly have foreseen what has occurred between then and now, it is also clear that there is no better time than today to start to chip away at the barriers that keep small businesses from recovering and succeeding.

Last year, I spoke about how sensitive small businesses are to layers of government bureaucracy and rules. Most small businesses don't have lawyers or accountants on staff, and the more of the day owners have to spend mired in red tape, the less time they have to focus on managing their businesses. Now, small businesses are also struggling to pay bills, keep employees and customers safe, manage inventory, and access needed funding programs in the wake of COVID-19.

Countless small businesses are also struggling with the difficult decision to close their doors for good. Many already have, and I'm afraid more will follow if nothing changes. Early in the year, most of these businesses were doing well and were hopeful about the future. But now their owners bear the heavy burden of figuring out how best to navigate a new and uncertain future.

It is critical that we prioritize policies that will help small businesses now. They will lead the recovery if we set them up to succeed. Small business success will give our economy the boost that it needs, enhance tax revenue, and go a long way toward solving our unemployment problem.

Cutting red tape is a proven and effective way to do this. Regulatory reform at the national level over the past few years was much appreciated by small businesses, which was reflected by soaring small business optimism.

SB 1131 is a step in the right direction and begins a necessary conversation about how we reshape government to be more responsive and effective as well as more conscious of taxpayer resources. For far too long, government agencies responsible for the economic success of Pennsylvania's businesses

and workers have been focused on managing the traffic in their own lanes, when they should be designing a more efficient highway system.

Working together and coordinating efforts on policy goals is cumbersome and difficult for state government. Where there is success, it's sporadic and incomplete. Rather than org charts, SB 1131 will force state policymakers to think about the functions and purpose of government programs and how they fit together. It gives them a unique chance to reassemble the puzzle pieces into logical, functional areas and realign them with policy priorities. It also requires a reexamination of programs to find redundancies and inefficiencies, and focus resources more strategically.

NFIB is supportive of this innovative thinking. Aligning the programs of state government to more closely track with the significant policy goals of the state is important, and we strongly support efficiency and responsiveness in government services from our vantage point as taxpayers and customers. We do have some recommendations to help ensure that these goals are met, which I'll touch on later. However, I'd like to talk first about the benefits of SB 1131.

First, the reorganization provided in the bill will create **a venue for leadership and coordination on important policy priorities for Pennsylvania's economic success.** This leadership is often lacking in agencies that are sometimes at cross purposes and don't have the resources they need. As a result, accomplishing a coordinated policy response requires extraordinary efforts.

An example of Governor Wolf's attempt to address this lack of coordination recently was his creation of the Keystone Economic Development and Workforce Command Center via executive order in 2019. It is illustrative because the Governor, who has authority over most of the state agencies involved in the Command Center, was unable to focus sufficient attention on an important issue without creating a new initiative. Coordination on issues as important as workforce should already be routine amongst government agencies charged with pieces of the workforce puzzle. But because it is not, perhaps more tools are necessary to provide this coordination.

Second, **allowing businesses to access most of the government services they need to operate in one location could lead to important efficiencies.** Currently, opening a business in Pennsylvania requires registering, checking, or filing paperwork in at least three or four separate bureaus in several agencies, possibly as many as six. And this does not include local or municipal agencies. This is confusing, and often, when a problem occurs, the customer is forced to arbitrate between several agencies to straighten it out. This is the reason NFIB was supportive of the PA Business One-Stop Shop a few years ago. SB 1131 should improve this process and, hopefully, lead to more coordinated service. For example, is it possible that an application for a professional license can be combined with one to register a business? And can this application be tracked online?

Third, SB 1131 **requires agencies take a hard look at programs that may be duplicative and redundant and find ways to reduce and streamline regulatory procedures.** As mentioned above, reducing Pennsylvania's regulatory burden is an important component of improving its business climate and a high priority for NFIB members.

Third, critical for small businesses, the bill **links job training programs directly to the needs of employers**. Although a substantial amount of money and attention is focused on job training and workforce development in Pennsylvania, these efforts are often not coordinated well with the needs of employers. SB 1131 recognizes that workforce development and business success are two sides of the same coin. We hope it will provide a more focused and agile approach to solving this problem.

Fourth, SB 1131 incorporates **a continuous improvement process system, which if baked in the cake, can lead to significant improvements in efficiency and waste reduction in government programs**. There have been small, successful examples of this in state government that have improved services or resulted in some cost savings, but lean thinking will be absolutely necessary and can result in real process improvements when consolidating large government functions.

Lastly, **the establishment of an Office of Business Consultant, with which all executive agencies must cooperate, will go a long way toward improving the relationships between regulatory agencies and their constituents**. Small businesses report inconsistent enforcement, unannounced rule changes, and bureaucratic delays and complications happening in many agencies of state government. Providing a go-to person to help them overcome these problems will be helpful.

These are the many benefits we see with the proposed bill. I must also say that small businesses are wary of any proposal that creates more bureaucracy, and especially when its power is concentrated in the hands of a single individual. Whereas concentration of leadership in the position of Secretary of the new agency is helpful to provide coordination of resources and policy focus, it could also lead to too much attention on programs that are a priority only to that Secretary (or the Governor). In that case, issues important to constituencies like small businesses are easily abandoned to issues with a bigger news splash or a more insistent constituency. If the new agency becomes another unresponsive bureaucracy for small business, our members will become discouraged and disconnected.

We have a few suggestions that could help mitigate these concerns, including: providing clear statutory goals for the agency; ensuring that the strategic plan offers a workable roadmap for reaching these goals, including changes to statutes if necessary; and setting up a governance structure that includes key stakeholders from the private sector. There are several points in the process where these suggestions may be implemented.

First, **the General Assembly should provide in statute clear goals and program priorities for the new agency**. The goals and priorities must be reflective of the overall functions for which the agency is responsible. Individual programs can be placed into these functions later. The enabling statute should set out clearly the critical functions of state government that each bureau will manage and their policy goals. This will provide a framework and consistency of purpose for each area even as management changes.

The strategic plan should provide a clear, realistic roadmap to move from disparate programs to new, reimagined programs that will accomplish the goals set forth in statute. This strategic plan must take

account of legacy costs and constituencies, including personnel and IT systems, which will take time (and resources) to change. Requiring the strategic plan to be presented to the General Assembly upon its completion is a critical checkpoint to ensure that the process is proceeding as it should. The legislature should be mindful that the strategic planning process might reveal additional statutory changes necessary to accomplish the goals of the new agency.

Finally, it is critical that **the strategic planning process and the new agency's management structure provide for governance that includes critical stakeholders, especially private sector representatives.** This will help ensure that all points of view are included in goal-setting and policymaking discussions. A committee should be established to advise the Secretary during the strategic planning process. Afterward, we would suggest creating a committee or board by statute for each bureau to seek advice from and for the agency as a whole to consult. These committees should include individuals from the private sector, for example, small businesses, local workforce specialists and economic development professionals, and labor representatives. This is important because key constituencies often are left out of important discussions left to the bureaucracy.

Again, as an example, I mention the Governor's Workforce Command Center. Despite supporting almost half of the private sector workforce and creating two out of every three new jobs, there are no small business representatives on the executive committee. Many of our small businesses have been prevented from expanding and investing because they can't find qualified workers, yet they have no voice in this policymaking body.

This brings me to my last point. I'd like to suggest that small businesses deserve more from their state government, including a voice at the table. But I'm not going to ask you for more permanent programs or ongoing financial support. What small businesses want most is for government to get out of the way so they can focus on recovering, reorienting if necessary, and growing. Red tape and bureaucracy hold them back, and they have an important role to play in identifying ways to lift that burden. Please provide a venue for them to speak.

Small businesses will play a big part in our recovery from this crisis, and we should do everything in our power to help them recover and thrive. Thank you again for the opportunity to speak today on behalf of Pennsylvania's small businesses. I would be happy to answer any questions.