1.2.b and 2.1.e: Supplemental Report for Small Business GBI and Employment

Reported: February 2016

Results Review
Goal 2: Prosperous Economy
2-25-2016
2.1.E. INCREASE SMALL BUSINESS EMPLOYMENT BY 67,000 FROM 2012 TO 2015

Labor and Industries

Joel Sacks, Director

2/25/2016

How are we doing?

• Currently on track to meet our goal
• Washington has the greatest annual growth in small business employment in the 20 largest states (Paychex Small Business Job Index)
Small Business GBI by year

How are we doing?
- Currently on track to meet our goal
- We saw a significant improvement in 2014 raising small business GBI from 200.30 billion in 2013 to 218.80 billion in 2014

Comprehensive Strategies Help Bridge Indicators

2.1.e: Increase employment in small businesses by 67,000 from 2012 to 2015
Lead: LNI

- BizHub
- Monster Job Search
- L&I Stay at Work Program
- Standard Cost Model
- Regulatory Road Map
- DOR Licensing
- Startup Washington

Sectors
- BizHub
- Monster Job Search
- L&I Stay at Work Program
- Standard Cost Model
- Regulatory Road map
- Startup Washington
- Export Vouchers
- Main Street Program

Exports

Tourism
Results Review
Goal 2: Prosperous Economy
2-25-2016
Customer Research & Discovery

160+ Businesses Interviewed

53 Insights

2700+ Unique Quotes
Prospective Business Owners

Business Owners in Formation Process
New Business Owners (0-2 years)

JACKSON
JUST STARTED HIS BUSINESS

ABOUT JACKSON
Jackson is 42 years old and owns his own hardware store. He worked as the manager for a local grocery store for fifteen years before moving on to start his business a year ago. Despite his store’s success, he has had a difficult time fulfilling his requirements with the State. He is frustrated by the seeming large gap between different state agencies, and also getting contradictory answers to his questions. Jackson is struggling to understand more about what the State requires of him and how he can spend less time (spending around 10 hours) on paperwork.

ACTUAL FEEDBACK FROM WASHINGTON BUSINESS OWNERS

- “It looks like agencies are not sharing info.”
- “Big business gets the perks. Small businesses get nothing. It would be nice to feel just as important.”
- “It’s less about money, more about the time to waste.”
- “There isn’t a consistent interface for government.”
- “What website calls State-Civil Reality, is-Civil?”
- “I get different answers depending on who I talk to. How do I know who is right?”
- “I work on my own schedule. If people 2 and 3 phone times are open.”

VALUES TIME, VALUES CLARITY, VALUES ONLINE & MOBILE RESOURCES

WASHINGTON BusinessHub.

Guest Business Owners:

Brian Beers

Greg Adams

Integrity IT Services

C4U Construction
Search Terms and Click Through

Web Analytics:

Location

Most popular pages
Project Summary:

**Phase 1 – Complete:**
- Customer discovery
- Content portal launched
- Cross-agency search implemented
- Most product benchmarks established

**Product Scope Benchmarks:**
- Customer satisfaction
- Finding & understanding information
- Average time to complete tasks

Product Roadmap:
Reducing Administrative Burden in Washington State

Standard Cost Model
February 25, 2016

Jesus Sanchez, Director
ORIA
Why the Standard Cost Model (SCM)?

• SCM is the most widely accepted methodology for measuring administrative costs in Europe
• Credibility
  – Business Community – large and small – have confidence in a tested model
• A tool for Reducing Administrative Burden in Washington State
• Piloting SCM tool – Purpose
  – Confirm SCM value
  – Determine viability
  – Gauge acceptance from state agencies

Collaborative Process

Breaking new ground – this is the first time the tool is being used in the United States
SCM Pilot Phase I
Goal: Test the feasibility of the SCM

- Results Washington Goal 2 Council agreed to pilot the International Standard Cost Model
- Pilot Phase I began in October 2014 with:
  - Commerce
  - Ecology
  - Labor & Industries
  - Revenue
- Three pilot projects successfully identified AB cost reductions, including proposed improvements
- Completed in June 2015

Pilot Phase I - Results

<table>
<thead>
<tr>
<th>Preliminary Results</th>
<th>Combined Baseline</th>
<th>Total Potential Savings (Percent of Total Baseline)</th>
</tr>
</thead>
<tbody>
<tr>
<td>All 3 Projects</td>
<td>$7,324,600</td>
<td>$311,600 (4%)</td>
</tr>
</tbody>
</table>

Individual Potential Savings
- COM <1%
- LNI 10%
- DOR 21%

<table>
<thead>
<tr>
<th>Agency</th>
<th>Project</th>
<th>Baseline Burden</th>
<th>Potential Savings</th>
</tr>
</thead>
<tbody>
<tr>
<td>DOR</td>
<td>Reseller Permit Application</td>
<td>$460,400</td>
<td>$96,600 (21%)</td>
</tr>
</tbody>
</table>

Businesses and manufacturers can avoid paying retail sales tax on products they purchase and plan to resell by using a reseller permit.

Improvements creating potential savings
- Educate businesses if they qualify
- Reduce duplicate applications
- Drive more applications online
# Pilot Phase II

**Goal:** Increase agency participation, gain expertise and confirm value of using SCM

ORIA partnered with 6 Agencies

<table>
<thead>
<tr>
<th>Agency</th>
<th>Project</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ecology</td>
<td>Well Drilling Construction</td>
</tr>
<tr>
<td>Employment Security</td>
<td>Unemployment Insurance Tax New Registrations</td>
</tr>
<tr>
<td>Labor &amp; Industries</td>
<td>Treatment Pre-Authorization</td>
</tr>
<tr>
<td>Licensing</td>
<td>Security Guard Licensure</td>
</tr>
<tr>
<td>Liquor and Cannabis Board</td>
<td>Addendum – New Liquor License Applications</td>
</tr>
<tr>
<td>Revenue</td>
<td>Property Tax Exemption New Applications</td>
</tr>
</tbody>
</table>

## Pilot Phase II - Project Status

<table>
<thead>
<tr>
<th>Preliminary Results</th>
<th>Combined Baseline</th>
<th>Potential Savings (Percent of Total Baseline)</th>
</tr>
</thead>
<tbody>
<tr>
<td>All 6 Projects</td>
<td>$10,882,100</td>
<td>$1,824,500 (17%)</td>
</tr>
</tbody>
</table>

### Individual Potential Savings

- ECY 31%
- ESD 16%
- L&I 20%
- DOL 5%
- LCB 16%
- DOR 27%

<table>
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<tr>
<th>Agency</th>
<th>Project</th>
<th>Baseline</th>
<th>Savings</th>
</tr>
</thead>
<tbody>
<tr>
<td>L&amp;I</td>
<td>Treatment Pre-Authorization</td>
<td>$3,606,200</td>
<td>$732,900 (20%)</td>
</tr>
</tbody>
</table>

Providers must request authorization from L&I for some medical and other services provided.

**Improvements creating potential savings**

- Change rules to extend treatment visits and reduce some authorizations
- Eliminate paper process through online system
Agency Partner

Cindy Fulton, Management Consultant
Employment Security Department

Project: New Unemployment Insurance Tax Registrations

- Focus on businesses
- Build new skills
- Collaborative relationship

Pilot Phase II – Next Steps

- Agency partners implement and track recommendations
- Agency partners communicate results with businesses
- ORIA provides Lean support services if requested by an agency
- ORIA confirms projected savings post improvement implementation
Pilot Phase – Lesson Learned

Pilot Conclusions:
• Determined feasibility and value to both agency partners and business owners
• Validated model works best with centralized team collaborating with agency partners

Improvement Opportunities:
• Engaging agency partners early and providing clear goals upfront
• Continuously improve internal processes based upon agency partner’s feedback
• Focusing on regulations that frustrate businesses, provides greater opportunity to reduce burden

What We Need

• Secure necessary funding
• Executive leadership commitment and engagement
• Implement limited deployment of SCM program
Please direct all questions on this project to the Governor’s Office for Regulatory Innovation and Assistance:

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