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# SELECT STATE PROBLEMS & PRIORITIES

## OHIO

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The Ohio Small Business Problems and Priorities report is based on the responses of 385 NFIB small-business owner/members to a mail survey conducted from mid-January through April 2016. A national sample of 20,000 members was drawn for a response rate of 14 percent with separate samples of 1,500 each drawn for CA, OH and TX to create three state specific rankings. Owners evaluated 75 potential business problems individually and assessed their severity on a scale of “1” for a “Critical Problem” to “7” for “Not a Problem.” A mean (average) was calculated from the responses for each problem. Problems are ranked by mean score.

Ohio has long held a reputation for being a microcosm for the United States. It has four cities among the 100 most populous metropolitan areas in the United States, vast amounts of agriculture in the counties between these cities, and coal mining in the southeastern part of the state. In addition, it is a swing state in presidential elections. Unsurprisingly, the concerns of Ohio small-business owners are very representative of those of small-business owners in the United States as a whole. While Texas and California had issues that differed from the total population by more than 20 position in the rankings, Ohio’s largest difference was 11 positions. It can be misleading to assign policy explanations to small differences in rankings, because rankings can fluctuate several positions without any intrinsic reason. One issue may be moved to a lower ranking by default as a result of another issue moving to a higher position (Table 1).

The ten most burdensome problems for small business owners in Ohio are: “Cost of Health Insurance,” “Unreasonable Government Regulations,” “Tax Complexity,” “Federal Taxes on Business Income,” “Uncertainty over Economic Conditions,” “Uncertainty over Government Actions,” “State/Local Paperwork,” “Frequent Changes in Federal Tax Laws and Rules,” “Property Taxes,” and “Federal Paperwork.” Ohio’s top ten generally tracks that of the nation with a few small exceptions. “Federal Paperwork” ranks 10<sup>th</sup> in Ohio and 12<sup>th</sup> overall and “State/Local Paperwork” ranks 7<sup>th</sup> in Ohio and 11<sup>th</sup> overall. These exceptions replace “State Taxes on Business Income” which ranks 11<sup>th</sup> in Ohio and 9<sup>th</sup> overall and “Locating Qualified Employees” which ranks 14<sup>th</sup> in Ohio and 10<sup>th</sup> overall.

The severity among many of the survey’s business problems differ only slightly between small business owners in Ohio and owners in the rest of the country as shown in Table 2. The largest differences in rankings between Ohio and the rest of the country occur in the problems: “Cost of Natural Gas, Propane, Gasoline, Diesel Fuel, and Oil,” “Real Estate Values,” “Cost and Availability of Liability Insurance,” “Poor Sales,” “Crime, including Identity Theft, Shoplifting, etc.,” and “Credit Card Payment Processing Costs.” The seventh largest difference has a seven-way tie of six positions in the rankings among “Electricity Costs,” “Locating Business Help When Needed,” “Ability to Cost-Effectively Advertise,” “Keeping Up on Business and Market Developments,” “Using Computer(s), the Internet or New Technology Effectively,” “Using Social Media to Promote Business,” and “Competition from Imported Products.”

Ohio small-business owners are more burdened on average than owners in the rest of the country by two of the three problems with double-digit differences in ranking: “Cost of Natural Gas, Propane, Gasoline, Diesel Fuel, and Oil,” and “Real Estate Values.” The remaining problem, “Cost and Availability of Liability Insurance”, is less burdensome.



“Cost of Natural Gas, Propane, Gasoline, Diesel Fuel, and Oil” is one of three issues that have a difference of 11 positions in rankings between Ohio (23<sup>rd</sup>) and the rest of the country (34<sup>th</sup>). Eleven percent of Ohio small-business owners regard this as a critical issue and 16 percent do not regard it as a problem. It is not clear why small-business owners from Ohio find the cost of petroleum products to be so much more burdensome than small-business owners from other states. U.S. Energy Information Administration data from 2013 ranks Ohio as having the 21<sup>st</sup> highest petroleum prices and the 29<sup>th</sup> highest natural gas prices among the 50 states.<sup>1</sup> However, all but the most recent data on energy prices must be viewed skeptically because of the recent dramatic fall in energy prices. According to AAA, Ohio currently has the 15<sup>th</sup> highest gasoline prices of the 50 states.<sup>2</sup> This is partially a result of the market and partially a result of policy, and Ohio has the 26<sup>th</sup> largest gas tax among the 50 states.<sup>3</sup>

“Real Estate Values” is another issue that has a difference of 11 positions in rankings between Ohio (36<sup>th</sup>) and the rest of the country (47<sup>th</sup>). Eleven percent of Ohio small-business owners regard this as a critical issue and 17 percent do not regard it as a problem. Real estate values can be a problem if they are too high or too low, so it is important to properly interpret Ohio’s specific real estate situation. If prices are too high, small-business owners find it difficult to expand by purchasing a second location or moving to a larger location. However, if prices are too low, small business owners may have trouble using home equity as collateral for accessing credit. The real estate company Trulia ranks Ohio as the state with the lowest average home listing price.<sup>4</sup> The National Association of Realtors’ Affordability Index shows that the cities have low real estate prices as well. Of the 180 metropolitan areas in the United States, all eight of Ohio’s metropolitan areas were among the 50 most affordable.<sup>5</sup> Many businesses use home equity as collateral for obtaining favorable terms on business loans. While real estate values are depressed, more small-business owners are unable to use this tool to access credit.

“Cost and Availability of Liability Insurance” has a difference of 11 positions in rankings between Ohio (31<sup>st</sup>) and the rest of the country (20<sup>th</sup>). Twelve percent of Ohio small-business owners regard this as a critical issue and 20 percent do not regard it as a problem.



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<sup>1</sup> U.S. Energy Information Administration, “Petroleum and Natural Gas Price and Expenditure Estimates, Ranked by State, 2014,” [https://www.eia.gov/state/seds/data.cfm?incfile=/state/seds/sep\\_sum/html/rank\\_pr\\_pa\\_ng.html](https://www.eia.gov/state/seds/data.cfm?incfile=/state/seds/sep_sum/html/rank_pr_pa_ng.html).

<sup>2</sup> AAA, *State Gas Prices*, <http://gasprices.aaa.com/>.

<sup>3</sup> American Petroleum Institute, “Gasoline Tax,” <http://www.api.org/oil-and-natural-gas/consumer-information/motor-fuel-taxes/gasoline-tax>.

<sup>4</sup> Trulia, “National Home Prices,” [http://www.trulia.com/home\\_prices/](http://www.trulia.com/home_prices/).

<sup>5</sup> National Association of REALTORS, “Affordability Index of Existing Single-Family Homes for Metropolitan Areas,” <http://www.realtor.org/sites/default/files/reports/2016/embargoed/2015-metro-affordability/metro-affordability-2015-existing-single-family-2015-02-10.pdf>.

**TABLE 1**  
**MEASURES OF SMALL BUSINESS PROBLEM IMPORTANCE - OHIO**

<b>Problem</b>	<b>OH Rank</b>	<b>US Rank</b>	<b>Mean</b>	<b>Standard Deviation</b>	<b>Percent "Critical"</b>	<b>Percent "Not a Problem"</b>
Cost of Health Insurance	1	1	2.42	1.99	51.1	10.0
Unreasonable Government Regulations	2	2	2.80	1.82	32.9	6.0
Tax Complexity	3	5	2.92	1.83	26.8	7.0
Federal Taxes on Business Income	4	3	3.05	1.88	26.7	6.8
Uncertainty over Economic Conditions	5	4	3.05	1.78	23.8	5.5
Uncertainty over Government Actions	6	6	3.21	1.85	21.6	7.1
State/Local Paperwork	7	11	3.34	1.83	17.8	8.6
Frequent Changes in Federal Tax Laws and Rules	8	7	3.39	1.89	19.3	8.6
Property Taxes (real, inventory or personal property)	9	8	3.41	1.98	19.5	11.2
Federal Paperwork	10	12	3.44	1.86	17.1	7.4
State Taxes on Business Income	11	9	3.47	1.95	18.5	10.8
Dealing with IRS/State Tax Agencies	12	17	3.62	1.93	15.8	11.2
Electricity Costs (rates)	13	19	3.63	1.84	14.7	11.3
Locating Qualified Employees	14	10	3.65	2.16	21.1	16.9
Workers' Compensation	15	13	3.65	1.95	15.7	12.5
Finding and Keeping Skilled Employees	16	14	3.76	2.22	22.0	18.8
Poor Earnings (Profits)	17	16	3.83	1.95	16.4	9.7
Cost of Supplies/Inventories	18	15	3.84	1.79	10.5	9.7
FICA (Social Security Taxes)	19	21	3.86	1.87	12.7	11.3
Projecting Future Sales Changes	20	18	3.86	1.76	9.7	9.9
Fixed Costs Too High	21	22	3.98	1.82	8.6	12.8
Finding Out about Regulatory Requirements	22	23	3.99	1.97	11.0	16.8
Cost of Natural Gas, Propane, Gasoline, Diesel, Fuel Oil	23	34	4.01	1.97	11.3	15.7
Highly Variable Earnings (profits)	24	24	4.03	1.92	11.0	14.4
Cash Flow	25	25	4.03	1.96	13.4	13.6
Environmental Regulations	26	27	4.07	2.13	14.5	21.3
Health/Safety Regulations	27	28	4.07	2.01	13.7	16.6
Cost of Outside Business Services, e.g., Accountants, Lawyers, Consultants	28	32	4.09	1.72	5.7	11.5
Time Spent Shopping for Health Insurance	29	29	4.10	2.10	12.9	20.1
Unemployment Compensation	30	26	4.11	1.99	10.4	18.5
Cost and Availability of Liability Insurance	31	20	4.13	2.02	11.5	19.6
Cost of Government Required Equipment/Procedures	32	30	4.15	2.00	11.7	17.8
Competition from Large Businesses	33	31	4.20	2.01	10.5	19.2
Telephone Costs and Service	34	33	4.21	1.82	7.8	13.0
Controlling My Own Time	35	35	4.26	1.97	11.2	18.0
Real Estate Values	36	47	4.28	1.96	10.7	17.4
Minimum Wage/"Living" Wage	37	36	4.33	2.06	12.0	22.1
Poor Sales	38	45	4.36	1.97	11.5	17.4
Pricing My Goods/Services	39	44	4.36	1.85	7.3	17.2
Ability to Cost-Effectively Advertise	40	46	4.39	1.91	7.1	19.4
Hiring/Firing/Employment Regulations	41	40	4.45	1.97	5.8	23.6
Using Computer(s), the Internet or New Technology Effectively	42	48	4.48	1.88	6.3	19.2



**TABLE 1 CONTINUED**  
**MEASURES OF SMALL BUSINESS PROBLEM IMPORTANCE - OHIO**

<b>Problem</b>	<b>OH Rank</b>	<b>US Rank</b>	<b>Mean</b>	<b>Standard Deviation</b>	<b>Percent "Critical"</b>	<b>Percent "Not a Problem"</b>
Locating Business Help When Needed	43	37	4.48	1.91	6.6	18.9
Obtaining Licenses, Permits, etc.	44	39	4.48	1.98	8.1	21.5
Credit Card Payment Processing Costs	45	38	4.48	2.18	12.0	30.3
Training Employees	46	42	4.50	1.88	5.5	20.6
Keeping Up on Business and Market Developments	47	41	4.51	1.71	4.8	15.2
Physical Facilities Costs, such as Rent/Mortgage/Maintenance	48	43	4.51	1.86	7.4	20.9
Cyber Crime (viruses, hacking, etc.)	49	51	4.56	2.01	9.7	23.8
Reducing Energy Use in a Cost-Effective Manner	50	53	4.71	1.73	4.7	20.7
Estate Tax	51	49	4.74	2.24	13.1	37.4
Rules on Retirement Plans	52	50	4.75	1.93	7.3	25.0
Crime, including Identity Theft, Shoplifting, etc.	53	60	4.79	1.87	5.7	23.9
Interest Rates	54	56	4.85	1.88	7.5	26.5
Handling Business Growth	55	55	4.86	1.73	3.2	23.0
Delinquent Accounts/Late Payments	56	54	4.89	1.91	6.8	24.2
Traffic, Highways, Roads, Bridges	57	52	4.94	1.94	6.3	32.6
Using Social Media to Promote Business (facebook, twitter, etc.)	58	64	4.97	1.79	3.2	29.4
Employee Turnover	59	59	5.00	2.00	9.3	32.9
Zoning/Land Use Regulations	60	57	5.01	1.94	7.3	32.7
Mandatory Family or Sick Leave	61	58	5.04	1.96	6.6	34.7
Protecting Intellectual Property	62	62	5.04	1.88	4.7	32.1
Anti-Competitive Practices, e.g., Price Fixing	63	61	5.06	1.80	5.3	27.4
Competition from Internet Businesses	64	63	5.13	1.94	6.8	34.7
Bad Debts (not delinquencies) and/or Bankruptcies	65	67	5.24	1.77	4.5	33.2
Costs and Frequency of Lawsuits/Threatened Lawsuits	66	68	5.24	1.91	5.0	37.8
Obtaining Short-Term (less than 12 months or revolving) Business Loans	67	70	5.27	1.93	6.8	38.7
Obtaining Long-Term (5 years or more) Business Loans	68	69	5.28	1.96	7.1	41.1
Access to High-Speed Internet	69	66	5.31	1.99	7.6	43.6
Credit Rating/Record Errors	70	71	5.33	1.82	3.7	39.3
Competition from Imported Products	71	65	5.40	1.94	4.5	47.1
Winning Contracts from Federal/State/Local Governments	72	72	5.51	1.88	5.0	48.8
Out-of-State Sales Tax	73	74	5.82	1.66	2.6	53.0
Undocumented Workers	74	73	5.90	1.76	5.6	59.9
Exporting My Products/Services	75	75	5.98	1.62	2.9	60.8



**TABLE 2**  
**LARGEST DIFFERENCES IN PROBLEM RANKING BETWEEN OH AND US**

<b>More Difficult in Ohio</b>	<b>OH Rank</b>	<b>US Rank</b>	<b>Rank Difference</b>
Cost of Natural Gas, Propane, Gasoline, Diesel, Fuel Oil	23	34	-11
Real Estate Values	36	47	-11
Poor Sales	38	45	-7
Crime, including Identity Theft, Shoplifting, etc.	53	60	-7
Electricity Costs (rates)	13	19	-6
Ability to Cost-Effectively Advertise	40	46	-6
Using Computer(s), the Internet or New Technology Effectively	42	48	-6
Using Social Media to Promote Business (facebook, twitter, etc.)	58	64	-6
Dealing with IRS/State Tax Agencies	12	17	-5
Pricing My Goods/Services	39	44	-5
<b>Less Difficult in Ohio</b>			
Cost and Availability of Liability Insurance	31	20	11
Credit Card Payment Processing Costs	45	38	7
Competition from Imported Products	71	65	6
Keeping Up on Business and Market Developments	47	41	6
Locating Business Help When Needed	43	37	6
Traffic, Highways, Roads, Bridges	57	52	5
Physical Facilities Costs, such as Rent/Mortgage/Maintenance	48	43	5
Obtaining Licenses, Permits, etc.	44	39	5
Training Employees	46	42	4
Unemployment Compensation	30	26	4



## The Sponsor

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The **NFIB Research Foundation** is a small-business-oriented research and information organization affiliated with the National Federation of Independent Business, the nation's largest small and independent business advocacy organization. Located in Washington, DC, the Foundation's primary purpose is to explore the policy related problems small business owners encounter. Its periodic reports include *Small Business Economic Trends*, *Small Business Problems and Priorities*, and now the *National Small Business Poll*. The Foundation also publishes ad hoc reports on issues of concern to small business owners. Included are analyses of selected proposed regulations using its Regulatory Impact Model (RIM).



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