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Small business looks for boost

State ranked 49th; some look for governor to act.

By Darrell Smith - Bee Staff Writer

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Nick Montoya hears it from his membership almost daily. Velma Sykes wasn't one bit surprised. Punam Malhotra let out a rueful laugh of recognition.

Earlier this week, few small-business leaders locally were stunned by the news that California hovers at the bottom for small-business friendliness, ranking 49th among 50 states and the District of Columbia, according to a survey released recently by the Small Business & Entrepreneurship Council. The good news? Last year, California was 50th.

"The regulatory issues, the confusion, the complexity in getting startup paperwork going -- it seems to be a nightmare. It's always a theme at our meetings," said Montoya, a vice chair of the Sacramento Hispanic Chamber of Commerce. "I hear it day in and day out."

But Wednesday, a day after voters swept Gov. Arnold Schwarzenegger back into office, small business was busily taking stock: Can a pro-business governor do something about the state's chilly small-business climate?

"Small business reflects the public. They supported the governor overwhelmingly," said Scott Hauge, president of Small Business California, a San Francisco-based small-business advocacy group.

Hauge believes the governor's work last year on workers' compensation reforms and his inclusion of small business in framing this year's AB 32, the greenhouse emissions legislation, are examples that the governor is listening.

But even Hauge says small businesses still have it rough.

"California, from a regulatory standpoint, is a tough place to do business," Hauge said. "Workers' comp is an issue." While many California voters and legislators consider themselves sympathetic to small business, he said, laws nevertheless "get passed that are very anti-small business."

That's would appear to be the conclusion in this year's Small Business Survival Index, which used 29 categories -- including regulatory and workers' compensation costs, minimum wage, per capita local and state government spending, number of bureaucrats and energy costs -- to measure the small business climate in all 50 states and the District of Columbia. Its sponsor is a Washington, D.C.-based advocacy group for small business.

The index's findings: Compared with other states, California's small-business owners pay too much in personal income and capital gains taxes, are zapped by electricity costs and are saddled with high workers' compensation costs, among other barriers.

Locally, it's what small-business leaders say they grapple with every day.

Malhotra, a longtime Realtor and president of the Sacramento Indus Valley American Chamber of Commerce, says she hires employees on a contract basis to avoid steep workers' compensation costs.

"Regulations are really meant for large businesses. Small businesses have to follow and they can't afford it," Malhotra said. "For my kind of business, workers' comp is the main issue -- that's money out of my pocket. I'm not hiring because I don't want to pay workers' comp."

Velma Sykes, executive director of the Sacramento Black Chamber of Commerce, says small businesses still lack opportunity and access to capital.

"California is one of the top states for small business. It has more small businesses than most states," Sykes said. "It should be a priority of the state to ensure the success of small businesses."

It was on the governor's plate at the end of his first term. He signed an executive order in July calling on state agencies to assist small businesses in seeking contracts to build state roads. The order also created a enterprise officer and \$40 million fund to help small businesses that bid for state roads projects.

"Small businesses are the backbone of the California economy. They are the innovators and the job creators," Schwarzenegger said in July, announcing the order.

Michael Shaw, California's assistant state director of the National Federation of Independent Business office in Sacramento, predicts one of the top priorities will be addressing the spiraling cost of employee health care.

"In the coming four years, we expect the governor to take bold action in health care," said Shaw, whose federation was already working with the Governor's Office on a "comprehensive reform package."

Frustrations remain, Shaw said, but he sees the clouds lifting.

"California continues to be a state where small business struggles," he added. "Things aren't great, but they're getting better. That's the message the governor is sending."



Velma Sykes



Punam Malhotra



Nick Montoya

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