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Cutting Red Tape: A Case Study on Licensing and Permitting Reform



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What do a farmer, bar owner, broadcaster, and financial advisor have in common? Each may need a government license or permit to legally operate their business—whether to transport livestock, sell alcohol, air a program, or advise on investments. ¹

Starting and growing a venture requires more than great products or services. Entrepreneurs must navigate a complex web of legal and regulatory requirements, including securing the right licenses and permits, to ensure compliance with government standards. ² This case study examines the barriers entrepreneurs face in obtaining licenses and permits, how one city simplified the process to better support small business owners, and what policymakers can do to build on this approach at the federal level.

Navigating Licensing and Permitting as a Small Business Owner

Licensing and permitting requirements vary widely based on industry and location.³ Small business owners may need to secure one or more of the following:

- **Business license:** Grants legal authority to operate and typically requires registration with a government agency and a fee.⁴
- **Business permit:** Verifies that a business complies with public safety, health, or zoning regulations.⁵
- **Occupational license:** Authorizes individuals to work in certain regulated professions—such as accountants, plumbers, or electricians—and often involves education, exams, and application costs.⁶ More than 25% of US workers need an occupational license, up from just 5% in the 1950s.⁷

Depending on the nature of the business, entrepreneurs may need approvals from multiple levels of government.⁸ Federal agencies issue licenses for regulated industries (see table below), while state and local governments usually oversee general business licenses, sales tax permits, and industry-specific or location-based requirements.⁹

Federal Licenses and Permits by Business Activity

| Business Activity | When a License Is Needed | Issuing Agency |
|--------------------------------------|--|--|
| Agriculture | Importing or transporting animals, plants, or biotechnology across state lines | US Department of Agriculture (USDA) |
| Alcohol | Manufacturing, wholesaling, importing, or selling alcohol | Alcohol and Tobacco Tax and Trade Bureau (TTB) |
| Aviation | Operating aircraft or transporting goods or people by air | Federal Aviation Administration (FAA) |
| Firearms, Ammunition, and Explosives | Manufacturing, selling, or importing firearms, ammunition, or explosives | Bureau of Alcohol, Tobacco, Firearms, and Explosives (BATFE) |
| Fish and Wildlife | Importing or engaging in commercial activities involving wildlife | US Fish and Wildlife Service (FWS) |
| Commercial Fisheries | Operating a commercial fishing business | National Oceanic and Atmospheric Administration Fisheries Service (NOAA) |
| Maritime Transportation | Transporting cargo or passengers by sea | Federal Maritime Commission (FMC) |
| Mining and Drilling | Drilling for natural gas, oil, or other minerals on federal lands | Bureau of Safety and Environmental Enforcement (BSEE) |
| Nuclear Energy | Producing or distributing nuclear energy or materials | US Nuclear Regulatory Commission (NRC) |
| Radio and TV Broadcasting | Broadcasting over airwaves, cable, satellite, or wire | Federal Communications Commission (FCC) |
| Transportation and Logistics | Operating oversize or overweight vehicles on interstate highways | US Department of Transportation (DOT) |

Without proper documentation, entrepreneurs risk fines, penalties, legal action, delays in operations, ineligibility for government programs, and even shutdowns.¹⁰ For example, FCC can impose fines of up to \$100,000 per day for unlicensed broadcasting.¹¹ USDA can suspend and revoke licenses for violations related to animal transport or inspection.¹²

Common Barriers for Entrepreneurs

As licensing and permitting requirements have grown more complex over time, many entrepreneurs struggle to manage the process.¹³ Each level of government has its own application procedures, documentation, fees, and renewal timelines.¹⁴ While renewals are often simpler than reapplying, they still require time, attention, and organization.¹⁵

Limited capital, time, and capacity intensify these challenges. Fees add up quickly, and most small businesses lack dedicated personnel to track changing requirements or respond to government requests.¹⁶ More than half of small business owners said that licensing, certification, and permit requirements make it harder to grow their business.¹⁷ Language differences, cultural barriers, and unfamiliarity with rules and regulations further complicate the process for some entrepreneurs.¹⁸ Outdated systems such as manual or paper-based processes result in delays and backlogs, creating additional barriers to stay compliant and operate efficiently.¹⁹

Regulatory burdens can make starting or expanding a business especially difficult and time-consuming. In San Francisco, for example, small business owners have faced dozens of inspections, inconsistent guidance, and lengthy delays to secure basic permits. In one case, the process took nearly four years and thousands of dollars in fees to meet permitting requirements. Another business had to hire a consultant just to navigate the forms and application steps.²⁰ Stories like these show how costly and inefficient the experience can become when systems are outdated or fragmented.

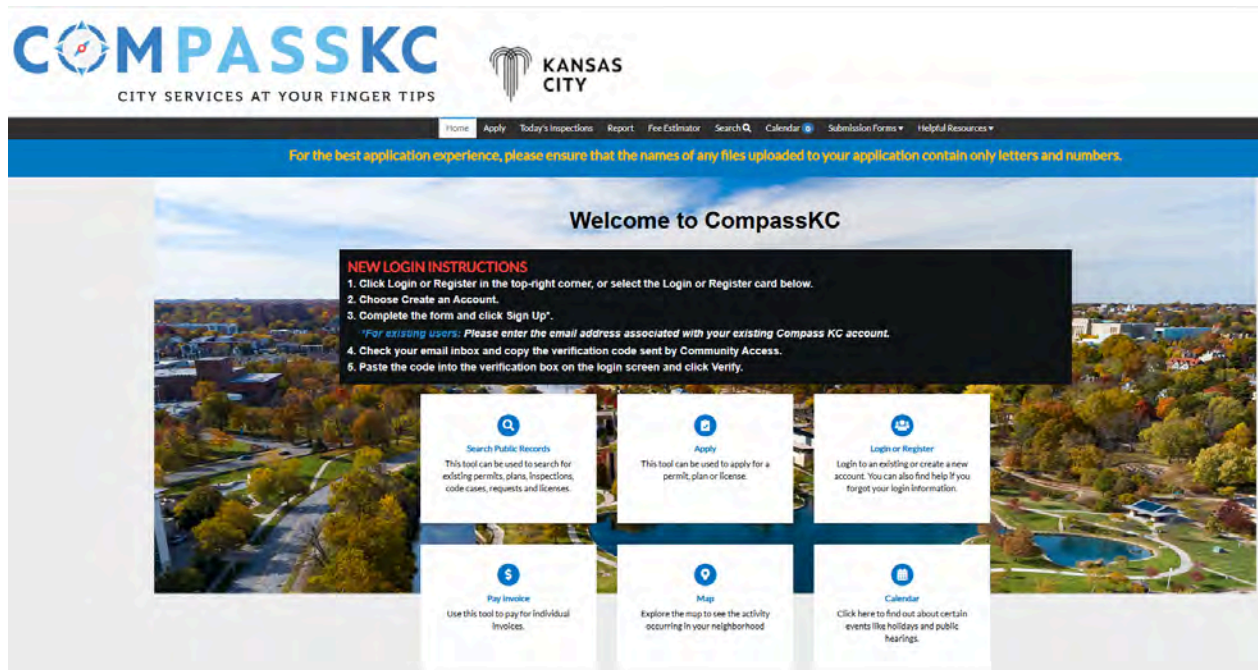
Small businesses bear a disproportionate share of regulatory costs compared to larger firms. In 2022, federal regulations cost the US economy \$3.079 trillion, equal to 12% of the nation's GDP.²¹ Firms with fewer than 50 employees faced regulatory costs of \$14,700 per employee each year, which is 20% higher than the cost for larger businesses.²²



Kansas City's Streamlined Approach

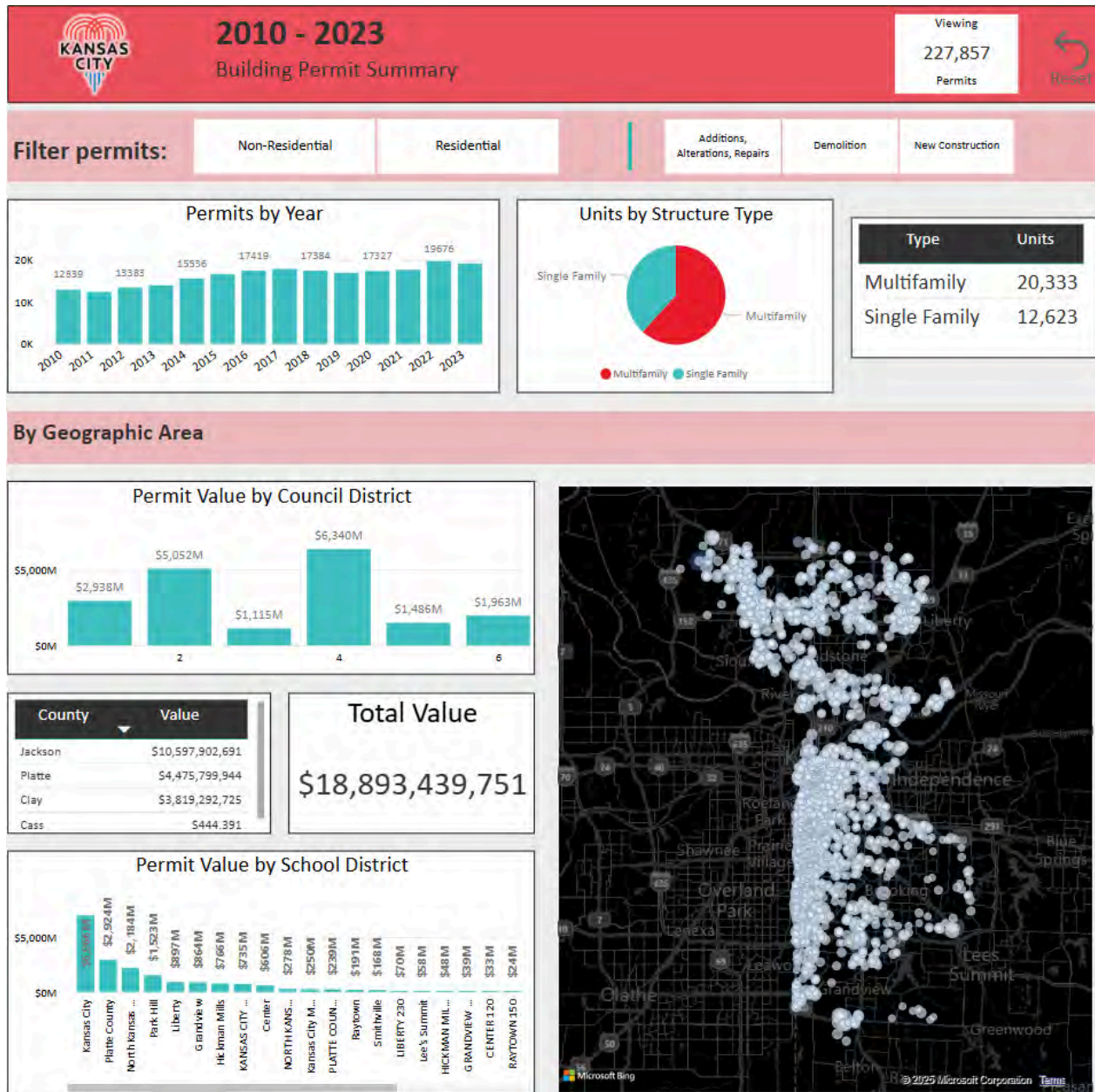
To ease the burden on entrepreneurs and address delays or confusion, Kansas City, MO launched **CompassKC**, a centralized online platform for business licensing and permitting.²³ The system allows users to access multiple city services, complete applications, and receive responses in one place.²⁴ By unifying departments under a single process, the city aimed to reduce duplication, increase coordination, and accelerate approvals. Before the platform, applicants were often responsible for manually gathering documents from various offices, slowing down timelines and creating unnecessary frustration.²⁵

CompassKC Online Platform



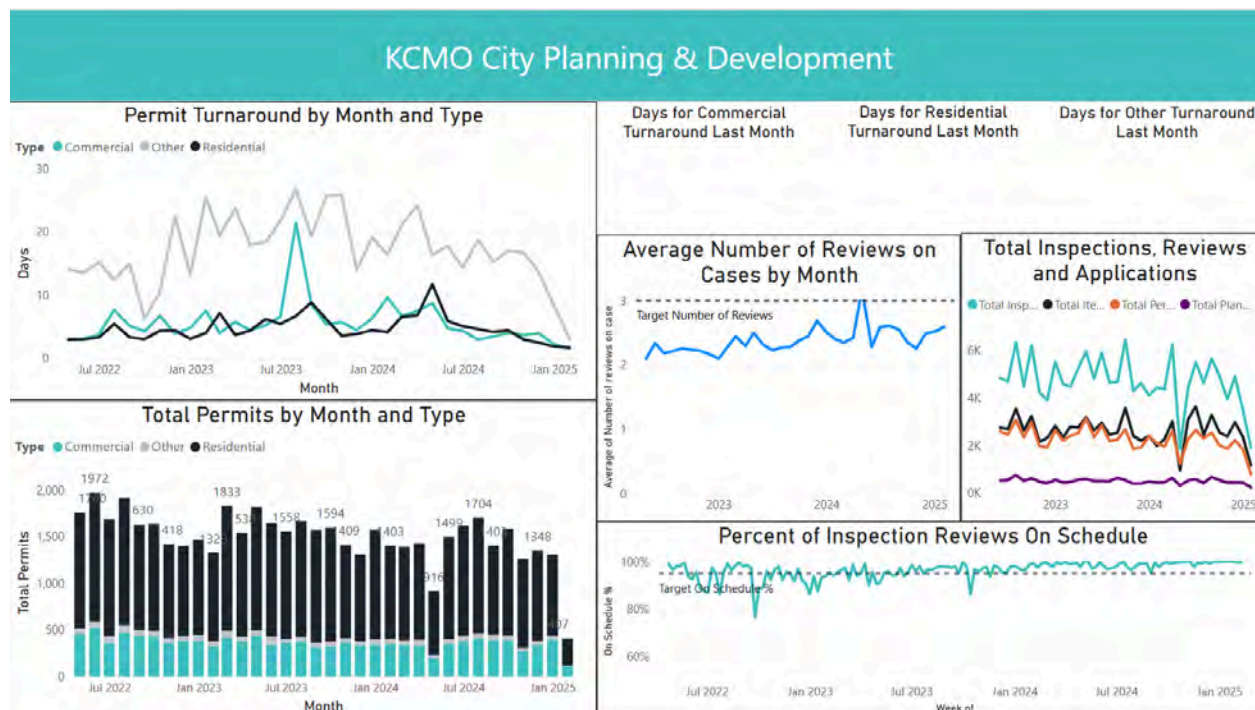
Now, CompassKC lets individuals search for specific applications or browse the full list of available forms. The platform simplifies the experience by enabling direct online submissions and real-time tracking of status. It also offers written guides and video tutorials to help new users navigate the system. A public dashboard adds transparency by displaying permitting volume, processing timelines, and historical data dating back to 2010.²⁶

CompassKC Historic Building Permit Summary



The impact has been significant. Within a year of implementation in 2019, the planning department processed over 21,000 permits—consistent with prior years—but reduced walk-in traffic by more than 2,400 people compared to 2017 and 2018. Digital submissions allow staff to manage workloads more efficiently and cut delays for applicants. CompassKC also reduces the number of permit types required in certain cases. The shared payment platform minimizes delays, clarifies fund distribution, and streamlines the experience for businesses completing required transactions.²⁷ Kansas City's modernized approach saves time, improves efficiency, and makes it easier for entrepreneurs to meet licensing and permitting requirements.

CompassKC Permits Activity Snapshot



Policy Solutions to Support Entrepreneurs Nationwide

Policymakers and advocates have proposed a range of reforms to simplify licensing and permitting for small business owners across the country. Some solutions include centralizing information, modernizing processes, or easing regulatory barriers.

Centralize Access to Information

- **Create a one-stop shop:** The *One Stop Shop for Small Business Licensing Act of 2023*, introduced by Senators Jacky Rosen and Shelley Moore Capito would require the Small Business Administration to create a centralized website.²⁸ The site would provide federal, state, and local licensing information in one place to help entrepreneurs cut through red tape and start a business.²⁹
- **Establish centralized regulatory guidance:** In addition to federal action, local and state governments could set up one-stop shops, either in person or online, to help entrepreneurs navigate regulatory requirements, reduce complexity, limit agency interactions, and shorten wait times.³⁰

Modernize Systems and Processes

- **Simplify and translate requirements:** Making business requirements easier to understand and navigate would help entrepreneurs, especially those facing language or accessibility barriers. ³¹
- **Pilot updates and improvements:** Regularly testing updates to licensing and permitting requirements would allow governments to assess and refine systems to address delays or inefficiencies before they become harder to resolve. ³²
- **Offer fine and fee relief:** Providing relief, especially for early or first-time violations, could support small business owners working to stay compliant and grow their ventures. ³³

Reform Occupational Licensing

- **Reduce or eliminate unnecessary licensing:** Right to Start recommends reducing or eliminating licensing requirements for certain businesses, including home-based operations. ³⁴
- **Promote mutual recognition across states:** The Kauffman Foundation supports mutual recognition of occupational licenses between states to improve mobility and access. ³⁵
- **Streamline regulatory overlap:** The Business Roundtable has urged policymakers to reduce regulatory overlap by streamlining requirements across levels of government. ³⁶

Conclusion

Overall, lowering barriers for small businesses by simplifying licensing and permitting processes is critical to expanding entrepreneurial opportunities. Streamlined systems, clearer guidance, and more flexible requirements will help small business owners focus more on building their ventures and less on navigating regulatory burdens. These solutions will not only support new business formation but also strengthen local economies by making it easier for entrepreneurs to innovate, invest, and grow.

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