

NJ
10
E19
1991

J O I N T P U B L I C H E A R I N G

before

ASSEMBLY ECONOMIC GROWTH, AGRICULTURE,
TOURISM AND COASTAL PROTECTION COMMITTEE

AND

ASSEMBLY COMMERCE AND REGULATED PROFESSIONS COMMITTEE

"A Small Business Summit to evaluate economic conditions
surrounding small businesses in New Jersey"

March 20, 1991
Commission Chambers
Millville City Hall
Millville, New Jersey

MEMBERS OF ASSEMBLY ECONOMIC GROWTH, AGRICULTURE
TOURISM AND COASTAL PROTECTION COMMITTEE PRESENT:

Assemblyman Edward H. Salmon, Chairman
Assemblyman Christopher J. Connors
Assemblyman Frank A. LoBiondo

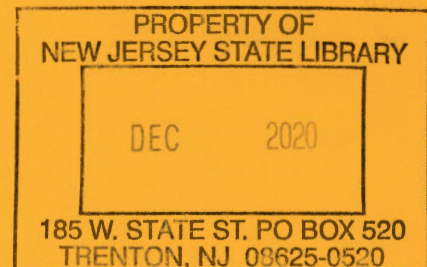
MEMBERS OF ASSEMBLY COMMERCE AND
REGULATED PROFESSIONS COMMITTEE PRESENT:

Assemblyman Anthony Impreveduto, Chairman
Assemblyman John A. Villapiano, Vice-Chairman
Assemblyman Jeffrey W. Moran

ALSO PRESENT:

John Hutchison, III
Office of Legislative Services
Aide, Assembly Economic Growth, Agriculture,
Tourism and Coastal Protection Committee

Laurence A. Gurman
Office of Legislative Services
Aide, Assembly Commerce and
Regulated Professions Committee



* * * * *

Hearin: Recorded and Transcribed by
Office of Legislative Services
Public Information Office
Hearing Unit
State House Annex
CN 068
Trenton, New Jersey 08625



EDWARD H. SALMON
CHAIRMAN
DAVID C. KRONICK
VICE-CHAIRMAN
ANTHONY S. MARSELLA
CHRISTOPHER J. CONNORS
FRANK A. LoBIONDO

New Jersey State Legislature
ASSEMBLY ECONOMIC GROWTH, AGRICULTURE, TOURISM
AND COASTAL PROTECTION COMMITTEE
STATE HOUSE ANNEX, CN-068
TRENTON, NEW JERSEY 08625-0068
(609) 984-7381

NOTICE OF JOINT PUBLIC HEARING

The Assembly Economic Growth, Agriculture, Tourism and Coastal Protection Committee and the Assembly Commerce and Regulated Professions Committee will convene a Small Business Summit, through the format of public hearings, to evaluate economic conditions surrounding small businesses in New Jersey. The committees will solicit testimony about the challenges confronting small businesses and suggestions as to what initiatives the State of New Jersey could undertake to help the small business community become more productive.

The hearing will be held on **Wednesday, March 20, 1991 at 2:00 p.m.** in the **Commission Chambers - Millville City Hall, 12 South High Street, 4th Floor, Millville, New Jersey.**

Additional public hearings on this issue will be scheduled. The dates, times and locations of these hearings will be announced in the near future.

The public may address comments and questions to John Hutchison, Committee Aide, and persons wishing to testify should contact Sharon Golebiewski, secretary at (609) 984-7381.

Those persons presenting written testimony should provide 20 copies to the committees on the day of the hearing.

DIRECTIONS TO MILLVILLE CITY HALL:

From eastern New Jersey: Proceed south on Garden State Parkway to Exit 44. Proceed southwest on County Road 575 (passing Stockton State College) to junction with State Highway Route 40 (near the Hamilton Mall and the Atlantic City Racetrack). Proceed on State Highway Route 40 through May's Landing to County Road 552 (Mays Landing Road) which is located on the left from Route 40 near an auto dealership. Proceed on

(OVER)

Issued 3/8/91

County Road 552 and subsequently spur County Road 552 into Millville (where Mays Landing Road becomes Broad Street). Proceed up Broad Street 10 blocks to High Street. Turn left onto High Street and proceed to the end of that street. City Hall is on the right.

From western New Jersey: Proceed south on Interstate 295 to State Highway Route 42. Proceed south on State Highway Route 42 to State Highway Route 55. Proceed south on Route 55 to State Highway Route 47 (exit sign will say "shopping centers".) At first traffic light after the exit, there will be a fork in the road. Bear right at the fork and proceed on that road (High Street) into Millville. Take High Street until the end. City Hall will be on the right.

TABLE OF CONTENTS

	<u>Page</u>
James F. Quinn Freeholder Cumberland County, New Jersey	5
Barbara Schwarz President Vineland Downtown Merchants and Professional Association	7
Paul Riggins President Riggins Oil Company	12
Marlene Z. Asselta President Southern New Jersey Development Council	18
James F. Penland Economic Development Commission, Ocean City Chamber of Commerce, and Retail Merchants Association	28
Weston Denman Member Greater Salem Chamber of Commerce	31
Thomas Purchase Member Greater Salem Chamber of Commerce, and Stand Up for Salem	31
James Waddington President Waddington-Richman, and Member Greater Salem Chamber of Commerce	35
Philo Chapman, Jr. Member Board of Trustees New Jersey Manufactured Housing Association	43
Paul C. Fuhs, Jr. President New Jersey Manufactured Housing Association	43
Walter Kellan Bridgeton Merchants Association	48

TABLE OF CONTENTS (continued)

	<u>Page</u>
Paul Diana President Manatee Environmental Associates, and Small Business Action Committee Chamber of Commerce of Southern New Jersey	52
Jay Levenson President Simulation Systems Technologies, Inc., and Director Small Business Action Committee Chamber of Commerce of Southern New Jersey	54
Jonathan Savage Director of Economic Development Cumberland County, New Jersey	57
Donald H. Rainear Mayor Bridgeton, New Jersey	62
Dennis Campbell Main Street Coordinator Bridgeton, New Jersey	67
Melanie L. Willoughby President New Jersey Retail Merchants Association	70
Marianne Kornblu-Lods Executive Director Greater Vineland Chamber of Commerce	70
Daniel H. Erickson Economic Development Consultant Atlantic Electric Company	73
Harold Smick, Jr. President Smick Lumber	74
Gordon K. Dahl Executive Director South Jersey Economic Development District	80
Thomas Haaf Vice-Chairman Board of Directors New Jersey Retail Merchants Association, and Owner C & H Television and Appliance	91

TABLE OF CONTENTS (continued)

	<u>Page</u>
APPENDIX:	
Statement submitted by Jay Levenson	1x
Brochure submitted by Gordon K. Dahl	3x
Statement submitted by Melanie L. Willoughby	17x
Statement and attachments submitted by Laura Giannotta New Jersey Director National Federation of Independent Business	24x

* * * * *

mjz: 1-105

ASSEMBLYMAN EDWARD H. SALMON (Cochairman): With your permission, I would like to get started. We have four other members of the General Assembly who will be with us. They are not used to holding hearings in South Jersey. We are trying to bring more of our legislative representatives down to our district here to do just that, and let them know what our district is like, and a little bit about South Jersey. So when they come, Frank (referring to Assemblyman LoBiondo) and I, as hosts, will be kind enough to introduce them to you.

Let me start out by telling you what the purpose of today's hearing is. This is a Joint Committee hearing of the Assembly Commerce and Regulated Professions Committee, of which Anthony Impreveduto is the Chairman -- Chairman Impreveduto is from Hudson County -- and the Committee that Frank and I serve on together, the Assembly Economic Growth, Agriculture, Tourism and Coastal Protection Committee. It is hard to believe that would be all one Committee, because that is a lot -- a lot in one Committee.

We are holding three hearings around the State of New Jersey. The first hearing is here. There will be a hearing held in Trenton, and there will also be a joint hearing held in Newark. The idea is to take input from people in business and industry on ways we can work to help the small business climate; ways we can create jobs, jobs, and more jobs for New Jerseyans.

I believe this is very appropriate, in that the Governor, this week, has declared this Economic Growth Month and Year for the State of New Jersey. Next Monday, the Governor is going to convene an Economic Summit of some of the chief executive officers of the industries in the State. They are going to look at a wide variety of key issues, not the least of which is the regulating agencies in the State of New Jersey. As you know, there has been a package of bills put into the Legislature, and we will probably have additional

hearings held on them. They are in regard to realigning and reorganizing the Department of Environmental Protection.

With that thought in mind, Chairman Impreveduto and I thought we would augment what is being done by allowing small business to have an opportunity to be able to come and present their concerns and ideas and suggestions for what can be done at the level of State government to help us all.

Boy, I'll tell you, they travel in packs of three. (three Assemblymen arrive together at this point) All right, come on in. On the far right, of course, I think everyone knows our local Assemblyman, Frank LoBiondo, who works with me on my Committee. What I would like to do is introduce the members of the Joint Committee to you, and ask them to make some opening remarks. Then we are here really to listen to you, to get your input, your feelings, and your thoughts with regard to how we can make New Jersey move forward.

I think we all realize the recession the nation is in, and that the State has been in. I think there should be only one thing on our minds right now, and that is the creation of jobs, jobs, and more jobs for New Jersey residents.

With that thought in mind, I would like to introduce Frank LoBiondo, who represents Cape May and Cumberland Counties.

ASSEMBLYMAN LOBIONDO: Thank you, Ed. I would like to thank the Chairman for calling this meeting here in the 1st District in Cumberland County. We certainly have suffered through our share of economic downturn over the years. I think it is important that we are here today to listen to you. Very often the best ideas we come up with in State government come from people, people who are in the trenches every day, those of you who have to struggle through the daily routines with business. It is important for us to hear those things, so that we can make some attempt to stay ahead of the curve.

So often we are reacting to situations, and in reacting we are always two or three steps behind. But

hopefully we will hear some testimony, we will hear some ideas that will come from this, that will give us an opportunity to be proactive in this very important area. Certainly the State of New Jersey -- the future of the jobs in the State of New Jersey is something that is on all of our minds.

So, I thank you, Ed.

ASSEMBLYMAN SALMON: Thank you, Frank. Next to Frank we have two representatives from the 9th Legislative District. That district takes in parts of Burlington and Ocean Counties. I would like to introduce to you first, Chris Connors.

ASSEMBLYMAN CONNORS: Thank you, Mr. Chairman. It is a great pleasure to be down here in Millville from a personal perspective. I have relatives who live in Millville, and it is always great to be in this part of New Jersey, as my Assembly colleague, Assemblyman LoBiondo, stated, "here where the rubber meets the road." So if anyone knows the business climate in the State of New Jersey, it is you people out there who will be testifying for us here today.

I am looking forward to hearing the things that are on your minds, and hearing your suggestions on how the State of New Jersey can perhaps work better for you in stimulating an economic climate that I think is good for all of us in the State of New Jersey.

Again I would like to say thank you for having us down here, Mr. Chairman. It is a pleasure to come from Ocean County to Cumberland County. It is a great place to live. We are looking forward to hearing from all of you.

ASSEMBLYMAN SALMON: Thank you very much, Chris. Next is Chris' running mate, Assemblyman Jeff Moran. Jeff has been in the Legislature a number of terms now and has really been invaluable, especially in areas having to do with the tourism industry. Jeff, it is nice to have you in the district.

ASSEMBLYMAN MORAN: Thank you, Ed. It is a pleasure to be here. I served on Tourism for two terms in the

Legislature a while ago, and I had the pleasure of being in Millville before. I just want to say that it is a pleasure to be back. It is a beautiful community, and you both should be very proud of it.

But you didn't come here to listen to me. I came here to listen to you. So, let's get on with the hearing so we can get some good ideas, so we can correct some of the problems that exist in New Jersey.

Thank you, Ed.

ASSEMBLYMAN SALMON: Thank you, Jeff. Before I introduce the Chairman of the Assembly Commerce and Regulated Professions Committee, we have two other Assemblypeople who will join us; you will see them as they come in. From the 11th District in Monmouth County, John Villapiano will be joining us. And then also from the 38th District, Bergen County, we will have Assemblywoman Rose Heck join us. Now it is a pleasure for me to introduce someone who represents Hudson County, Assemblyman Anthony Impreveduto.

ASSEMBLYMAN ANTHONY IMPREVEDUTO (Cochairman): Thank you, Ed. It is certainly a pleasure to be this far south. I don't think I have ever been this far south in my life, to be honest with you. (laughter)

ASSEMBLYMAN LoBIONDO: It got warmer already, right?

ASSEMBLYMAN IMPREVEDUTO: Yeah, gee, I got a little suntan coming down this way. Coming from way up north, it is certainly a pleasure to be here.

When we talked about what we were looking to do, we wanted to hear from the businesspeople of the State of New Jersey. You may or may not know, but about a week from now the Governor and the Commerce people are going to be doing a businessmen's Summit. The people they are going to be talking to are the President of J&J -- Johnson & Johnson -- and people from the million-dollar corporations.

We're small people. We want to deal with the small people; we want to deal with you. We need you to tell us what your problems are, some of which we may know, some of which I know we do not know. We need to hear from you as to what you think are ways to correct the things that we may have done to you, inadvertently certainly. But I think for us on this panel to remember, and for you to keep in mind, is that if small businesses in New Jersey are not cared for-- They are the backbone of our State. If they are not cared for, the entire economy of our State could be put at risk.

So we are truly here to listen. And as my colleague, Jeff Moran, said, you are not here to listen to me. We are here to listen to you. So, Mr. Chairman, let's go.

ASSEMBLYMAN SALMON: Okay, very good. First I would like to recognize Freeholder Jim Quinn, just to give some welcoming remarks on behalf of the county.

F R E E H O L D E R J A M E S F. Q U I N N: (speaking from audience; no microphone) Thank you, Mr. Chairman. It is a pleasure to have all of our Assemblypeople down from -- wherever you may be down from. It is warmer down here in South Jersey.

ASSEMBLYMAN SALMON: Are we south of the Mason-Dixon line?

ASSEMBLYMAN CONNORS: The fact of the matter is, we actually relayed Assemblyman Impreveduto down here. He was driving from Hudson. He got as far as Ocean County, and he couldn't take it anymore. So we drove the rest of the way for him.

ASSEMBLYMAN MORAN: He couldn't handle the heat, so we cooled him down a little bit.

FREEHOLDER QUINN: This is the true South Jersey. It is a great area, and we are very happy to have you. On behalf of the citizens of Millville -- I happen to be a member of this community and the Freeholder in charge of economic development

-- we are really anxious, too, to have our businesspeople tell you the problems they are having currently, to see if you folks can come up with some solutions to help to boost the economy in Cumberland County, Salem County, the South Jersey area, and, of course, throughout the entire State of New Jersey.

Again, thanks for your time and for coming down. We are happy to have you here.

ASSEMBLYMAN SALMON: I would also just like to let you know that our staff is here from the Office of Legislative Services, represented by John Hutchison and Larry Gurman. Your comments are going to be recorded, as well as the comments at our Trenton hearing and also at Newark. The only way I could get Tony down here was to promise that I would go up to the other end of the State, so we are looking forward to our time up in Newark.

The transcripts are going to be put together then, and hopefully out of the testimony will come suggestions that can go right to the Commissioner whose Department would be responsible, and maybe even legislation will be provided to help small businesses. It is our feeling that the small business community is really the backbone of jobs in this State. Without small business we would not have a strong economy.

With that in mind, I am going to call on Barbara Schwarz first. By the way, the speakers signed up quickly. I would like to just give you several ground rules, if I may. First, give your name into the microphone, which is basically a recording device. The mikes up here are for the recording device. Tell us who you represent. If you have a statement, our aides will hand the statements out to the Committee members. I would like you to-- We are really looking for any specific suggestions you may have. We will certainly welcome criticism, but I would tell you, we could probably spend a whole week on hearings on criticism, because of some things

that are occurring, and especially with a lot of things that have happened in recent years as far as some of the departments go.

So, with that in mind, Barbara, it is nice to have you.
B A R B A R A S C H W A R Z: Thank you for taking the time to be here today, and welcome to Cumberland County. My name is Barbara Schwarz, and I am President of the Vineland Downtown Merchants and Professional Association.

The definition of a small business varies greatly and much of what you will hear today represents small businesses of the manufacturing and industrial variety. I represent a different type of small business: the small retail merchant located in one of New Jersey's many downtowns.

Very simply put: We're ailing. There is no single cause on which to lay the blame. We are a victim of circumstance based on both the local and national economies.

Some of the State workshops and programs that are available are theoretically wonderful and should be a big help not only during these recessionary times, but also in general to help business flourish. However, even these, present some stumbling blocks for the small business.

For instance, small businesspeople do not like middlemen. In essence, the middleman represents increased costs -- either through time or additional fees and percentages. In this case, with small business and EDA loans, the same holds true. The need for State intervention causes delays and fees. A more helpful method would be programs administered directly by the lending institutions, with subsidies provided by the State.

The second middleman is time. Invariably, when dealing through the State bureaucracy, time is elongated. It appears to be the definition of government. When small business needs loans, by virtue of being small, they need them quickly. Ninety to 180 days is just too long. We can hold off

creditors for two weeks, and we can put off decisions for three weeks, but when you are talking three to six months, and sometimes longer, we can't deal with that. It is very, very difficult.

Additionally, take a look at a typical small business loan application. At best, it is foreboding. A recent application that I looked at had a checkoff list 23 items long that required the services of an accountant. A small business, conceivably, has to borrow extra funds just to apply for a loan -- with no guarantees of receiving it. That is not an enviable position in which to be.

A couple of extra small suggestions:

We are located in an Urban Enterprise Zone. It would help if individual businesses could borrow directly from the Zone corporation. Again, this would eliminate a middleman.

Market the UEZs similar to the "Jersey Fresh" Campaign. Here is a role for the State to perform a tristate program with a small percentage of funds tithed by the local zones. The greater the success, the more funds available.

Again, I thank you for listening and hope that you will be able to respond accordingly -- and quickly.

ASSEMBLYMAN SALMON: Barbara, maybe just a couple of questions: How large is your organization? How many members do you have?

MS. SCHWARZ: We have approximately 63 members in our downtown organization.

ASSEMBLYMAN IMPREVEDUTO: Barbara, I know from whence you speak. You know, my family was in the restaurant business. We were a small business also. It got me through school and through college and all that kind of stuff. You raised some very good issues, probably some things I hadn't even thought of. You know, we can simplify the forms. There is no problem with that; that can be done. I think we need to

take a look at that. I know what you mean when you say you wait 90 to 180 days for dollars. It's tough.

MS. SCHWARZ: It's a very long turnaround time. Usually, by the time you have applied for a loan, because that is the last thing you want to do, get further in debt-- By the time you have decided to apply for the loan, you need it yesterday. Then, it takes you a month just to fill out the application, and then you need three people to help you to do it.

ASSEMBLYMAN IMPREVEDUTO: Talk a little bit more about borrowing from the UEZ.

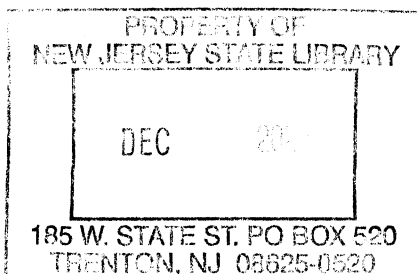
MS. SCHWARZ: We are in a very good position in that the Urban Enterprise Zone exists here. There are funds available, but they are made available only to municipalities. Then, we have to go through-- The small businessperson has to go through an intermediary in order to get to those funds. I understand there are certain restrictions -- a lot of restrictions -- on how the money can be used. For example: I am in the downtown; I am on Landis Avenue. For me to get ahold of UEZ funds is almost impossible. If I want to fix up my store, if I want to add an awning, if I want to fix the facade, whatever, I can't get the money. The money from the UEZ, supposedly, is meant to revitalize the downtowns.

Now, if I want to take on the job of doing that, and I am hoping to increase my business by fixing up my store, in order to do that I have to get a loan. The UEZ money was supposed to be available to help us do that but you can only go through the city, and there are no guarantees.

ASSEMBLYMAN MORAN: Barbara, if I may, through you, Mr. Chair--

ASSEMBLYMAN SALMON: Sure.

ASSEMBLYMAN MORAN: To whom does the city give the UEZ money?



MS. SCHWARZ: The way I understand it -- I am not an authority on this -- the city does the cleaning up itself. Okay? It will come in and buy a property, or refurbish a parking lot, or buy ambulances, or whatever is needed for the municipality. But if I, as an individual retailer, need money to fix up my individual store -- which is part of the revitalization effort in the downtown -- I can't get it because I am an individual.

ASSEMBLYMAN MORAN: Do you have Block Grant Programs in Millville?

ASSEMBLYMAN SALMON: Community Block Grants?

ASSEMBLYMAN IMPREVEDUTO: CDBGs?

ASSEMBLYMAN MORAN: Yes. See, we have that in our County of Ocean. We have it where various municipalities apply for the funds, as well as private individuals. Providing that the municipality signs off that that, in fact, is one of the priority areas they wish to address, then they become eligible. Then it goes to the Board and the Board votes on it, and the individuals get it.

For those of you who have ever been to the City of Lakewood, the City of Lakewood has been pretty much rebuilt under the Block Grant Program. We are not an Urban Enterprise Zone, although, you know, it has gone through a lot of difficult years. But it has really come a long way.

I think the other point, borrowing directly from the Zone corporation-- I think that, in essence, is the answer. You've got to provide people such as yourself -- the small businesspeople -- the opportunity not to have to go through the red tape and not to have to wait in line until the town's fathers set the priorities when, in fact, the priorities are right at their doorstep.

ASSEMBLYMAN IMPREVEDUTO: If I may, Jeffrey, Larry (Committee aide) tells me that the UEZ dollars are really for

municipal public works projects only. They are not-- So we might want to look at how we have structured the UEZ area.

Have you found that the decreased sales tax has helped you?

MS. SCHWARZ: Oh, yes; oh, yes. We pull in from all the surrounding areas. People do appreciate that, I believe, and they will travel to shop. They just don't shop as much as they used to.

ASSEMBLYMAN IMPREVEDUTO: Unfortunately, that is statewide.

MS. SCHWARZ: It is very bad down here.

ASSEMBLYMAN SALMON: It's an interesting thing. I'm sure that some of the other members of the Committee may not know this -- some may -- but Cumberland County is fortunate. It has three major communities, and all of them are in the UEZ program. There are a lot of other municipalities that would like to be in that program, believe me. That has served as an advantage, Tony, through the municipalities.

MS. SCHWARZ: It is an excellent advertising tool.

ASSEMBLYMAN SALMON: Very good. Thank you very much, Barbara.

Next I would like to call Paul Riggins, Riggins Oil Company.

Paul, before you begin, I would like to introduce one other member of our Committee who has shown up. This is Assemblyman John Villapiano. I always introduce John by saying, "Do you remember that real mean linebacker with the Oakland Raiders named Phil Villapiano?" That was his brother, and he hits as hard as his brother does. (laughter) John, it is nice to have you with us.

ASSEMBLYMAN VILLAPIANO: Thank you, Ed. I appreciate it. It's wonderful being down here.

ASSEMBLYMAN SALMON: Okay. Paul?

P A U L R I G G I N S: I don't have a formal statement, but I have a couple of ideas I would like to relay to you. My name is Paul Riggins. I am President of Riggins Oil Company. We deal in two different businesses: the retail home heating oil business, and wholesale and retail gasoline sales.

The first topic I would like to speak on is the gross receipts tax legislation which was passed last July. This has been a horrendous problem ever since it was passed. The legislators took no comments from industry, at least our sector of the industry -- the New Jersey Fuel Merchants Association. They wrote a bill which does not work. Your people in Motor Fuels Taxation and Treasury and the Attorney General's Office are all bumping heads trying to figure out how to make this thing work.

To this day, they have not solved the problems we have related to them. The major problem with this tax is that it doesn't treat everyone equal. If you are a major oil company, you have certain benefits. If you are a distributor, you have certain benefits and certain ways you lose. If you are a dealer, you have other problems.

New York had a similar tax which was, as this tax is, based on the dollar. They threw it out and replaced it with a per gallon tax. The per gallon tax makes everybody equal. Everybody is back to the same level again.

The other problem you are going to have is, the thing cannot be audited. I sat down and I did the tax return myself. I didn't have a secretary do it. I have been doing it each month since July. The thing is incredible. You have so many problems and so few answers. I have talked to the head of Motor Fuels Taxation. I have talked to Karen Jezierny in the Treasurer's Office. She has gone to the Attorney General's Office, and we can't seem to get anything going. But, it is a problem, and it is causing-- It is one of the things that is causing harm to my business.

The other part of that is, you wrote a tax and you exempted heating oil. Okay? Your purpose was you didn't want to tax a necessity. But when you wrote it, you didn't ask anybody about it -- anybody in the industry about it. So they wrote the language that the tax is on the No. 2 heating oil, but everybody who heats their home with No. 1 heating oil has to pay the tax. So you have senior citizens living in trailer parks in our community paying tax on their heating. It's crazy, but nobody is listening.

ASSEMBLYMAN IMPREVEDUTO: That's why we're here.

ASSEMBLYMAN SALMON: Paul, may we interrupt you for a couple of minutes?

MR. RIGGINS: Sure, go ahead.

ASSEMBLYMAN SALMON: If you had the per gallon tax, would that resolve the problem with the home heating oil?

MR. RIGGINS: Yes.

ASSEMBLYMAN IMPREVEDUTO: No, he said to exempt it.

ASSEMBLYMAN SALMON: Oh, you would exempt that.

MR. RIGGINS: The per gallon tax will equalize the different sectors. It would equalize the major oil companies, the distributors, the jobbers, the dealers. Okay? Because right now, depending on where you buy in the chain, your tax could be high or low.

ASSEMBLYMAN SALMON: Right, right. I think it is important to point out-- You and I have sat down a number of times and talked about this. I know you have gone to different levels of State government -- the Attorney General's Office and other places -- and talked about this issue, because it is a critical issue. Has your industry, per se, proposed a solution? I mean, proposed--

MR. RIGGINS: Yes. We have been to Assemblyman Marsella trying to propose legislation. We met with the Chief of Staff of the Governor and proposed some changes. And nobody seems to be able to do anything. It's like, they go, "Well,

what will we do?" They've got all the information. They have talked to everybody, but no one is doing anything. Frankly, I think the State is losing a lot of money just because of the inadequate legislation, not only gross receipts, but your whole motor fuels program.

ASSEMBLYMAN SALMON: I know this would be just a guess on your part, but if you had to guess how much money the State is losing because of the way it is set up now, what would be your estimate?

MR. RIGGINS: If you talk to the Tax Department, they say \$70 million.

ASSEMBLYMAN SALMON: Seventy million?

MR. RIGGINS: If you talk to the Attorney General's Office, it is a different figure. Everybody is--

ASSEMBLYMAN IMPREVEDUTO: Well, they are all guesstimates then?

MR. RIGGINS: They are all guesstimates, but it is big bucks.

ASSEMBLYMAN SALMON: Right. It's big dollars.

MR. RIGGINS: The second item I want to discuss is the New Jersey DEP. That, for my business, is essentially a police state. The New Jersey DEP, in their Enforcement Division, hires kids out of college and gives them broad powers, and, boy, they use them. They are proud to use them.

They have made our industry into criminals without even so much as a hearing. They have very broad powers and very little knowledge about what is going on. As far as environmental cleanup is concerned, the industry is changing all the time. New technologies are coming out all the time. The regulators have to be put under control, so that we can make the changes in a businesslike manner over a period of time, with everything scheduled, so you are not draining the life out of corporations like my own in order to get everything solved today.

Also, they have no problem with throwing fines at the drop of a hat. If you don't have the right paper at the right place at the right time, boom, you're fined. It is not a \$50 fine, or anything. I mean, they go and whatever is mandated, that is what they fine you.

The last suggestion I have, has to do with the high cost of tank replacement. We are under a program where we have to replace all our underground tanks, which is a very good idea. The Federal government has passed legislation where we have to have tank insurance. Tank insurance is so expensive because nobody knows what they are dealing with. Nobody knows what is under the ground. The technology is just developing, so the insurance is very expensive. Other states in the country have state insurance plans where small businesses like myself can get insured through the state at reasonable prices. This does two things: It takes a tremendous burden off the backs of the small businesses, and it allows the cleanup process to continue going on. If you force all this stuff, all these expenses down the throats of the small businesses, the small businesses are not going to be there, and then the State is going to have to clean it up.

So, we would like to get into a program where the State provides an insurance program and get on a schedule where we can get all these tank upgradings done in a reasonable time. We would also like to be able to borrow money against the properties to do the work. Without tank insurance, you cannot borrow any money. The banks are not interested.

So, something has to give here. The major oil companies are doing great because they don't have to buy insurance. They are big enough. The law says, "Well, if you are so big, you don't have to buy insurance." But everything is falling on the backs of the little guys, and something needs to change.

Thank you.

ASSEMBLYMAN SALMON: All right. Let me just touch upon all three very quickly with you, because-- First of all, I appreciate that you would come today, because I personally think you raised three very important issues. The first issue was the way taxation is on fuel oil. I think that has to be changed because I really believe, as you do, that the State is losing money and there is no way to regulate it, the way it is being done now. That is a matter of educating the rest of the legislators as far as how that is done, and also the Governor's Office.

The issue on the DEP-- If what our offices reflect -- and I think I can probably speak for most of the members of this Joint Committee-- The number one issue that has been coming into my office has been concern about DEP. I believe that is why the Speaker, about three weeks ago, got so frustrated that he had a bipartisan package of 14 bills introduced, which some of us on this Committee are sponsors of, which is going to totally realign -- reorganize -- DEP so there can be some responsiveness and they, you know, can fulfill their obligations in a more timely fashion, and also be responsive to the citizens of this State.

I think you will see some public hearings being held on that issue alone around the State, so they can take that package of bills and make it even better before the bills are finally put to a Committee vote and then a full vote.

As far as tank replacement, I think that is an excellent idea, and something the Committee could look into. Is there some kind of statewide insurance program that could be developed which then would allow the small business owner to be able to compete? That is something we can look at.

I will now open it up to any other members of the Committee for questions.

ASSEMBLYMAN MORAN: If I may, Mr. Chairman. First of all, your first point about the motor fuel tax-- My colleagues

on my side of the aisle did not support that. We would be in support of the Chairman for the repeal of that, when and if they ever decide to repeal it.

The other point is about DEP. In my legislative district, which is Ocean County, we always look at DEP as the policemen of New Jersey trying to put anyone and everyone out of business who so chooses to build a house or even put up a fence, in many areas. The fines they levy against people are excessive. We think that is nothing more than generating revenues to build a bigger empire than what DEP is presently working within.

On tank replacement, we have talked about that. As a matter of fact, I can remember talking about that some years ago when we first started talking about the gas stations being required to retool their facilities and change their tanks. You know, it is like everything else. Something else becomes more of a priority. I would say, knowing your two legislators as well as I do, I think they could champion the initiative together to have something done. I would help them, and I would support it.

ASSEMBLYMAN SALMON: Any other members of the Committee?

ASSEMBLYMAN IMPREVEDUTO: My good friend, Assemblyman Moran, I think it is important to understand that Mr. Riggins was not calling for the repeal, but, in fact, the reconfiguration on how the motor fuel taxes are actually calculated.

ASSEMBLYMAN MORAN: We should not have had it in the first place.

ASSEMBLYMAN IMPREVEDUTO: In all sincerity, I agree. We in the north do agree. DEP has been as much of a problem to us as it has been for you down here. I suspect you are thinking, "Well, if they all agree with it, why didn't they do something about it long before this?" It's difficult. There

are things being done with DEP but, as you well know, the environment has been an issue -- a top issue, a top priority issue -- not only in our State, but in our Federal government for such a long time, that DEP has built itself a little fiefdom. We need to take it apart carefully, and then put it back together so that they are, in fact, doing what they are supposed to be doing, but with compassion.

MR. RIGGINS: That is exactly my point. I agree that we need to have DEP -- absolutely -- but we need to have the communication so we can survive and get the job done. I want to get the job done, but I want to be here when it is all done.

ASSEMBLYMAN IMPREVEDUTO: Absolutely. You still have to feed your kids.

MR. RIGGINS: Thank you.

ASSEMBLYMAN SALMON: Thank you. Frank?

ASSEMBLYMAN LOBIONDO: Yes. You may sit down, Paul. I would like to thank Paul. I have talked with him on several occasions about some of these problems. I think that if there is any message which we, as legislators, should be listening to in this area and in all others, it is that those who are the experts in their own particular fields are the ones we seem to fail to go to, or to listen to. If there is any message we come away with today, I think it will be a point that should be driven home. As Paul said, those who are living it out on a day-to-day basis can offer suggestions on what we can do, and I think his testimony was excellent.

Thank you.

ASSEMBLYMAN SALMON: Thank you, Frank. I think your comments are right on target.

Next, Marlene Asselta, President, Southern New Jersey Development Council.

M A R L E N E Z. A S S E L T A: I would like to thank the Committee for inviting me to participate today. I just want to remind Assemblyman Impreveduto that you are well below the

Mason-Dixon line. It happens, coincidentally, to run behind my property line, and I am in Glassboro. So if it had been extended, it would have run along the Glassboro line. So, you are about as far south as you can get.

ASSEMBLYMAN IMPREVEDUTO: This is about as far south as I have ever driven in my entire life.

MS. ASSELTA: Well, a few more miles and you probably would have hit the bay, so--

ASSEMBLYMAN MORAN: And we have to have him out of the county by 4:00. (laughter)

ASSEMBLYMAN IMPREVEDUTO: I come from a town way up north called Secaucus. Some of you may or may not have heard of my town. If you--

ASSEMBLYMAN MORAN: Secaucus. Oh, is that where Giant Stadium is?

ASSEMBLYMAN IMPREVEDUTO: Well, it's close by. If you watch Channel 9 -- and I don't know if you can get that down here-- WOR, do you get that down here? (no response) Well, that is in my town. It is a small town of 13,000 people, very similar to this, believe it or not.

ASSEMBLYMAN MORAN: Yeah, they advertise Pabst (phonetic spelling) soda.

ASSEMBLYMAN IMPREVEDUTO: Yeah, pop.

MS. ASSELTA: Thank you anyway, for making the trip.

As some of you may know, the Southern New Jersey Development Council is an eight-county economic development/lobbying group representing business, government, and academic institutions. Approximately 60% of our membership consists of small businesses. We describe small businesses as those companies with less than 75 employees, although I am sure that is not the description the State and Federal governments would use.

The Development Council celebrates its 40th anniversary this year, and I began my eighth year this month. During much of the Council's existence and certainly during

most of my tenure, a high priority has been placed on assisting small businesses in their growth and development.

Along the way of offering that assistance, we have asked the question you ask here today: "What can State government do to aid you in your business?" The answer may or may not surprise you, depending on your exposure to State agencies, departments, authorities, etc.

I preface these remarks by stating that they are in no way meant to unduly criticize either you, as legislators, or the current Legislature, certainly not the Governor's Office or his administration, or any county departments, but rather to tell you that these circumstances carry over from administration to administration, decade to decade.

Having said that, I will answer you the way small business answers us, and I quote: "State government needs to get its own act together. It needs to coordinate and educate its own departments, divisions, and individuals on their policies and programs so that appropriate responses can be given to inquiries from the business community."

A business, small or otherwise, is often encouraged to make applications for certain funding through the Department of Commerce or EDA, only to find that the criteria that must be met and the attendant application fees are so restrictive that a business owner's experience with the State is often confusing, frustrating, and, in some cases, humiliating. In many cases, the duplication of services and the overlap among divisions within a single department -- not from department to department, but within a single department -- are so numerous that they can only be tracked with a scorecard.

There is no single source for a business to access when looking for assistance from State government. As an example of that, I would like to give you a hypothetical situation: A black female with an Hispanic surname who owns a small business is looking for assistance from the State. Do I

send her to the Office of Small Business Assistance, Office of Minority Business Enterprise, Office of Women Business Enterprise, or the Bureau of Hispanic Enterprise? I don't know the answer to that question, and State representatives don't know either.

These are just two examples given by our small business members when we asked: "How can the State assist you, specifically within the Department of Commerce and Economic Development?" When asking the same question of a small business which happens to deal routinely with DEP, the response was the same: "The State needs to get its act together." But the level of frustration and anger runs deep. As an example, let me tell you of an engineering firm -- a small business -- which had to take its client through the DEP stream encroachment permitting process. This routine 90-day process took more than nine months to complete. The DEP stream encroachment laws are ambiguous and left to the sole interpretation of lifelong bureaucrats who are accountable to no one. The applicant never had any sense of security, regardless of his compliance with the letter and spirit of the law.

He was lucky his project wasn't delayed long enough for the recession to prevent him from building. His blood pressure escalated, his property value decreased, and his project was not fully and successfully marketed. And, by the way, this application had approval by DEP's Wetlands Division, the Army Corps of Engineers, and DOT, and all site plans were approved by the township and county planning boards, local and county municipal utility authorities, and the Soil Conservation District, just to mention a few.

These are but a few examples of how State government hinders small business. To end this on a positive note -- unfortunately, these are not positive comments here today -- I believe government can have a role in assisting all business, especially small business. The available programs within the

Department of Commerce are worthwhile, and with some streamlining and proper interpretations can be useful to small business. The same suggestion can be made for DEP, DOT, etc. No one wants to ignore the preservation of the environment, nor does business want illogical traffic patterns and an ineffective transportation infrastructure. It would be helpful, however, to know the rules and not have them changed at will. I don't believe it takes further legislation to assist business, but rather effective management and accountability of current policies.

The Development Council has been asked to participate in the Governor's Economic Summit next week. As a participant in the Summit and as a member of the Regulatory Task Committee, I am certain that many of today's points will be made at that time. If in the meantime we can be of any assistance to this Committee, of course we stand willing to do that.

Now, I want to acknowledge that one of our Board members, Freeholder Director John Reinard is also here, so he is wearing two hats: One as a Board member of the Development Council, and one as the Freeholder Director.

ASSEMBLYMAN SALMON: Thank you. Are there any questions for Ms. Asselta?

ASSEMBLYMAN IMPREVEDUTO: No. I just think that what you have-- Oh, I'm sorry, Jeff.

ASSEMBLYMAN MORAN: I think you were very, very courteous and polite to DEP. As I was listening, and was reading along with you, I was looking out front. I can remember when I came in the door I saw the waterway. Under DEP's encroachment regulations today, this facility would not be able to be built here. There are a number of things. The person you are making reference to with the high blood pressure, going through the frustration-- A day does not go by in our legislative office that we do not have someone calling and telling us about the nightmares they have had with DEP.

The gentleman from the oil industry mentioned about people graduating from college and having very little, if any, common sense. That is so true. They want to be in charge, at your expense. In our district, many people have gone belly-up, have lost everything they have worked many, many years for, because of the way a regulation was interpreted.

You said, at one point, that with some streamlining of the regulations-- If you allow them an interpretation to streamline, the streamlining is going to differ between you and the next guy.

MS. ASSELTA: That's right.

ASSEMBLYMAN MORAN: It has to be so specific that they know what they can and what they cannot do. As long as we allow them to streamline to their own liking, and also levy fines of \$1500 a day until such time as it is done, not to exceed 30 days, then it becomes \$2000 a day, and if it exceeds 90 days, it is State property-- Next, please! Then you are standing out there. You've got to go get a lawyer and pay him \$150 an hour to interpret what they just told you, and the guy who said it to you had no authority to do it, because it was a regulation streamlined in his own mind. Then it takes you 90 days to get before a hearing officer, for the hearing officer to say, "We are going to recess this for 30 days so I can get a better interpretation of it."

In the meantime, the bank is asking you for money, and you're done. You just stand at the courtroom door and say, "Forget it. Cancel the 30 days. You can have it. I'm gone."

MS. ASSELTA: Well, I guess I want to ask a question of all of you, or each of you, or any of you: Is it possible at the time of writing the legislation-- I know this gets tricky, because no one is an expert in every field. But, is it possible to write into the legislation the strict regulations, or is that always going to be for the interpretation of the administration, the department, the bureaucrat?

ASSEMBLYMAN SALMON: I referred to the bipartisan package of 14 bills to overhaul and realign DEP. One of those bills says this: You know where the problem is. We will work on legislation and, as legislators, we will pass it. Then it is interpreted by DEP. The interpretation certainly, in our opinion, should be companionable with what the intent of the legislation is.

What would have to be done then, when those interpretations are done and they have written out their rules and regulations on how they are going to enact the bill, or bills-- It now has to come back to the Legislature for review. I think that is a major step in the right direction, because then you can have intent with intent.

MS. ASSELTA: Closer scrutiny on the end, yes.

ASSEMBLYMAN SALMON: Exactly right. And there is a lot of that in the 14-bill package; to get a better handle and get quicker answers. In this one application you are referring to, money is days. The longer days go by, the more money it costs a project, and the more a situation becomes impossible to complete. This would really streamline that effort.

I can tell you, as Jeff was saying, in my district I can name three particular projects right now, or three different firms. I have been to all three of them. Their fines from DEP are over a million dollars. I can't see justification for any of the three. So, we are working very hard in that regard to get hearings set up so we can try to get those kinds of problems resolved.

Those kinds of things make you really frustrated. We have gotten more of those, I think, in the last year than we had before that.

ASSEMBLYMAN MORAN: Oh, yeah.

ASSEMBLYMAN CONNORS: Not to be redundant, but I think Assemblyman Salmon is absolutely right. We have to take a look very closely at this package of bills that would provide

legislative oversight to the rules and regulations that are being promulgated. The Administrative Procedures Act, which was adopted some 10 years ago, really gave bureaucrats in Trenton a license to write laws that are just as effective as the laws that we write in Trenton and pass in the Legislature; laws that we have to get through a committee process, pass in both Houses of the Legislature, to be signed into law by the Governor, and need only to be published in "The New Jersey Register," which no one reads, incidently, because the type is so small and it is so voluminous. After having a hearing, if there is no response, or there are no objections or no appeals, then they get published and become part of the Administrative Code.

Just out of curiosity, I ventured down to one of the local law offices in our municipality and had them stack up against the wall all of the New Jersey Statutes Annotated, and then alongside of that all of the Administrative Code -- the New Jersey Administrative Code. The code books on the right-hand side -- the Administrative Code -- were almost as high as the statute books on the left. Now, recognizing that the Administrative Code has been around since the adoption of the Administrative Procedures Act, and the Statutes Annotated since time immemorial in the State of New Jersey-- What has taken 10 years to put in place, has taken nearly 200 on the left-hand side of the books that were stacked with the New Jersey Statutes Annotated.

Presently there are about 50 boards, bodies, commissions, and authorities that have rule-making authority in the State of New Jersey. As I said before, they are just as effective. They prescribe penalties just as statutory law does. In some cases, they would not, if they had to go through the same legislative muster that bills do-- They probably would not become law to begin with.

So, we have 300 to 400 administrative laws being promulgated -- rules being promulgated -- a year, as compared to what the Legislature does. But, see, unfortunately in some cases, we have delegated too much. We have put little innocuous spots in the bill saying that the Commissioner shall adopt rules in accordance with the Administrative Procedures Act of 1970--something, and then off it goes. So somebody comes into a legislative office and says, "I can't believe you guys passed a law that says we have to have certified lifeguards at a pool even if we are a retirement village, and we have to have this, that, and the other thing." And we say, "Well, we never passed a law like that." We found that the Department of Health passed that law, but again, we allowed them to do it.

Your testimony with regard to the coordination of departments, divisions, and bureaus -- I think on page 2 of your testimony -- was well-taken. I noted some time ago that there was an article in The Star-Ledger, called: "Bogged Down in Rules." It was about a cranberry farmer in Burlington County who was attempting to open another area of land he owned so he could farm his cranberries just as his family had done in the 100 years that preceded him. Now, no one would ever think that there may be some environmental detriment to farming cranberries in South Jersey. After all, one of the things we read about in South Jersey, that has made South Jersey famous, is farming.

But this poor individual had to go through a whole litany of rules and regulations -- divisions, boards, bureaus, and bodies, State and Federal. They started with the Pinelands Commission. Then they found out about DEP's freshwater wetlands. Then Fish and Game got involved and, lo and behold, the Federal government through the Army Corps of Engineers got involved. EPA got involved. Pretty soon it was like the frog on the log in a lake. You didn't know what body you had to please first. You didn't know what perm: you needed first.

One could appeal the permit of another and, as the story goes, the cranberry farmer is still sitting there wondering whether he can carry on the family tradition, a South Jersey tradition, of growing cranberries and operating his business.

The other thing I would like to point out is, part of the problem I think you see with DEP -- not just to pick on DEP, but they are big enough to pick on, I guess-- In the last four years, as I recollect them, there have been four different Commissioners. We have had Dewling, Daggett, Yaskin, and now Weiner. There is no consistency at the top. As the new Commissioner, Scott Weiner, has indicated, there are problems. There are problems with coordination. Each bureau and division seems to be going in its own direction. He has placed, as I understand it, the blame right at the top, saying: "We've got to have something from the top down, not from the bottom up."

God bless him if he can get his arms around it. I often think it is too big to do that. But as long as we are going to have a Commissioner on the average of one a year, I would submit to you that we are going to continue to have problems with the Department, which employs, I don't know, some 40,000 people or so in the State of New Jersey. It's frightening. It is frightening from the standpoint of a business owner. It is frightening from the standpoint of an individual who even wants to build a home for his own use.

No one can argue the goal and the intent of environmental protection. I think, as a lifelong resident of New Jersey -- South Jersey -- I certainly can appreciate that. Having grown up and seen the changes I have seen over the past 10 to 20 years makes me even more concerned about it, but you have to do it in moderation. It has to be done practically. I think the way we have been doing it in the State of New Jersey has been wrong, quite frankly. People are going to start leaving the State of New Jersey, and perhaps that is what they want.

Thank you.

ASSEMBLYMAN SALMON: Thanks, Chris. Thank you, Ms. Asselta.

MS. ASSELTA: Thank you.

ASSEMBLYMAN SALMON: Chris, I think maybe you had one zero too many. It's 4000 employees at DEP, but it seems like 40,000.

I would like to call Jim Penland, please. Jim represents the Economic Development Commission and also the Chamber of Commerce in Ocean City. Jim, we appreciate your taking the trip to be here with us today.

J A M E S F. P E N L A N D: Thank you very much for your invitation and letter. I think it is a great thing that you have brought this State legislation to South Jersey. I think this is a first, and we appreciate it. I was impressed by your letter. We represent not only the Chamber of Commerce today, but the Economic Development Commission which our city allowed us to become involved in, and the Retail Merchants Association.

We have been involved in trying to understand what has happened to our community. It is small businessmen. Their needs are on two levels, inasmuch as a predominantly tourist-oriented nature has forgotten that we are a year-round community and the growth factors that evolved in that have led to some economic depletion on a year-round scale.

Inasmuch as we are trying to help ourselves, we are here to request, maybe, that the State assist us from its planning offices, as the city does our community and economic development. Our government allows us the use and privilege of the planning departments and some of the usefulness -- the techniques they can give us to work with. But on the State level, we could certainly be assisted by traffic regulation, economic development planning, etc. The main thrust of this request is the education needed to develop in the area so we can proceed, if the community wishes to proceed, with its economic development plans. In our case, we have spent over

\$100,000 already in architectural devices, etc. We now must educate and lobby to the community in order for that to be supported by our government.

Obviously, this all ends up in a better pattern of job distribution and also tourism, in our case. We are faced with both areas of development programming at the same time. This becomes very confusing, particularly to the small businessmen who have no time and, in some cases, no money, and who are predominantly not educated to the values of economic development and growth which will ultimately concern them and employ more people and make our tourism better still.

So I am really addressing you for staff assistance and any kind of level of government assistance that could come into our community and help us educate. We have the root, we have the knowledge on committee levels. It is to predominantly make it valuable to the entire community, where it will support this, not requesting money so much as planning and development from that level.

I am very much impressed when I go to the Main Street programs the State puts on -- historic ones. I have been to several, and I come away so enthused that I come back to my community and I say, "Boy, we are going to do this." We're well ahead of the game already, even without the employment of managers, etc., which we cannot afford.

I would like to see a program developed where the State comes into a community that is trying to do something and can prove itself through the necessary interpretation on the State's part. These people have done so much, but they need help in disseminating this information at a level and an educational (indiscernible) where people will actually do what this small body of people feels and knows is needful.

That is my request today, and I hope it can be addressed. I think that Main Street is marvelous. I would like to see that come into the community and assist us in development and in educating our community.

ASSEMBLYMAN SALMON: Well, Jim, we have one of the Mayors who has probably been more successful in the Main Street project than anyone, and that is Mayor Don Rainear from Bridgeton, who is here with us today. He is going to offer some testimony a little bit later.

You are a member of the Economic Development Commission, right?

MR. PENLAND: Yes, and I am a Board member of our Chamber of Commerce.

ASSEMBLYMAN SALMON: Right. I would tell you that, whenever you are having a set meeting where you want certain people from the State invited down, and we can do a follow-up as Committee members to see that they get down there and give you that assistance, we will see that that is done. Okay? That is one of their functions, really, to work with local communities in that regard.

MR. PENLAND: I think we will be calling you very shortly. Thank you for your attention today.

ASSEMBLYMAN SALMON: Okay, thank you for being here, Jim. We appreciate it.

I would like to call three witnesses together. I think the turnout has been superb. We have had turnout from all over South Jersey. We have with us, from Salem County -- and I would like to ask that they come up together -- Jim Waddington, representing the Waddington-Richman Dairies, along with Tom Purchase, from the Salem Chamber of Commerce, along with Wes Denman, who represents the Greater Salem Chamber of Commerce. Would you please move that other chair along and we will have all three of you at one time, Jim?

I think today we have pretty close to about seven different counties represented. It is nice to have you here representing Salem County. Who would like to start off first to give his presentation? Please go right ahead.

W E S T O N D E N M A N: I am Wes Denman, representing the Greater Salem Chamber of Commerce. I want to thank the Assembly Committee for inviting us today to give testimony. In the interest of conserving time, I am going to yield to my colleague, Tom Purchase, who will summarize our position. We have no written statement.

T H O M A S P U R C H A S E: We would have had a written statement, except that our M-79 amphibious assault copier broke down. (laughter) It can only print in green today, and I'm sure that is a color that may not be too familiar in the Assembly this year.

ASSEMBLYMAN SALMON: We're used to red.

MR. PURCHASE: We don't have a red color.

ASSEMBLYMAN SALMON: That's very good.

MR. PURCHASE: But I will send you a written statement at some later point, because you have asked for specific recommendations and specific requests for proposals.

I am wearing a couple of hats today, one for the Greater Salem Chamber of Commerce. I also represent "Stand Up for Salem," which is a public/private initiative -- which I bored Mr. Moran with the other day -- in Salem, to revitalize the city. It is kind of spreading. As such, I represent larger industries such as du Pont, PSE&G, and Atlantic Electric. In partnership, we have been trying to do a lot to redevelop South Jersey. And, I also represent other businesses such as Parker's Jewelers and Patrick's Camera Shop and McDonald's -- not the big McDonald's, but the local McDonald's -- local businesspeople who are facing a number of problems.

At the top of the list is our unique situation. We are 20 minutes -- if my wife drives -- from downtown Wilmington -- 25 minutes if I drive. (laughter) That puts us in a unique situation. Wilmington, as you know, has no sales tax. Salem has a 7% sales tax. We are losing the market for big ticket items, and also things like lumber. Recently, one of our

lumberyards lost a million-dollar sale, and he was told why. It was because if you are given a good price, you still have to pay 7% more. Seven percent of a million dollars is a lot of money.

Our specific recommendation is that Senator Zane's bill -- S-2977, I believe -- designating Salem County as an Urban Enterprise Zone, be seriously considered. That is not normal. Counties are generally not considered Urban Enterprise Zones. I understand why, but Salem County has a total population of about 64,000, which comprises, sometimes, about 30% of larger cities' populations.

There are other specific things that need to be addressed in order to help the small businesspeople, as well as the large businesspeople within our area. The face of employment in Salem County, as well as throughout the country, is changing. One of the things that is absolutely necessary is adequate day-care facilities for the employees of small and large businesses.

I would recommend and suggest further tax credits and other support of industry and small business, as they try to subsidize day care for their employees, be encouraged. Large businesses can subsidize; small business cannot. In a small business if someone with a sick child is out, you have lost him or her for that day, and you have lost the ability to do business in a lot of cases.

Finally, a third item that is very stressful for small business and large, is health care. I understand that health care legislation has been passed very recently, but we also need further health care legislation that addresses, in a creative way, the health care delivery systems that get away from the potential of a 47% rise in health care costs. I can give a good pitch for the Chamber of Commerce here. The Chamber insurance generally runs a little bit less. So, join your local chamber.

But, it is without a doubt a high item in the cost of doing business, if you are paying an additional 47% a year increase in health care costs. Creative solutions are called for. For the sake of time, I would invite further discussions on that potential in the future.

Thank you.

ASSEMBLYMAN SALMON: I would like that. Further discussions, sure.

ASSEMBLYMAN IMPREVEDUTO: We are talking about Delaware having a zero sales tax, and the State of New Jersey having a 7% sales tax.

MR. PURCHASE: Except for those surrounding communities to Salem County, such as Millville, Vineland, and Bridgeton, which have a 3-1/2% sales tax.

ASSEMBLYMAN IMPREVEDUTO: Right, okay. But let's talk about your point. People are going to Delaware because they don't want to pay 7%. On a million dollars, that's \$70,000. If, in fact, we made you a UEZ, do you think they are not going to go to Delaware, because they are still going to save \$35,000?

MR. PURCHASE: It would enable the businesses to be more competitive. All things being equal, even a 20-minute ride can be a barrier for some families. It would enable us to work on more discounts as a potential. A 3-1/2% discount can be a hard hit, but a 7% discount is a very hard hit.

ASSEMBLYMAN IMPREVEDUTO: Forgive me, because I just don't know: What is the makeup of Salem County? Is it affluent?

ASSEMBLYMAN SALMON: Very poor.

MR. PURCHASE: It is very poor. Fifty-nine percent of the City of Salem is low/mod.

ASSEMBLYMAN SALMON: It is the second poorest county in the State of New Jersey.

MR. PURCHASE: That is correct.

ASSEMBLYMAN SALMON: The poorest county is Cumberland.

ASSEMBLYMAN IMPREVEDUTO: How many towns within Salem are UEZs?

MR. PURCHASE: None.

ASSEMBLYMAN IMPREVEDUTO: Why is that?

ASSEMBLYMAN SALMON: I'm sorry, what was the question? Why wasn't Salem there originally?

ASSEMBLYMAN IMPREVEDUTO: Yes.

ASSEMBLYMAN SALMON: It is just that it never got proposed by the legislators at the time that was going through.

ASSEMBLYMAN IMPREVEDUTO: Because the purpose of the UEZ is to revitalize those types of areas, quite honestly.

ASSEMBLYMAN SALMON: I think at the time--

MR. DENMAN: If I may just jump in for a moment-- Salem, of course, would qualify as an Urban Enterprise Zone, as would perhaps Penns Grove. These are urban centers, and they are hurting, both of them. But the entire county is hurting because of the 7% sales tax, when we are so close to that bridge going over into Delaware. Right now, the State of New Jersey-- You say, "Well, if we made it 3-1/2%, the State would be losing money," but I would suggest to you that the State is losing the full 7%, because people are going over to Delaware.

ASSEMBLYMAN IMPREVEDUTO: I disagree with that. I need to tell you that I disagree with that fact. If people are going there for zero, they are not going to stop going there, whether it is 3%, 4%, or 2%. They are going to go for zero. I mean, why should I pay sales tax at all, when I can drive just a short distance and pay none? Why should I pay 3-1/2%? I personally do not see that happening.

I agree that you need the benefits of the UEZ, and what you can do that you cannot do without it.

MR. PURCHASE: Some of the other benefits--

ASSEMBLYMAN IMPREVEDUTO: But the argument that people are going to shop wherever--

MR. DENMAN: Not all of them, obviously.

ASSEMBLYMAN IMPREVEDUTO: That is not going to happen. Let's be realistic; that is not going to happen.

MR. DENMAN: Not all of them, but a great deal of it would stay in Salem County were that incentive not there.

ASSEMBLYMAN IMPREVEDUTO: The person buying a small product is going to stay buying it close to his home--

MR. DENMAN: Plus, they run to Bridgeton.

ASSEMBLYMAN IMPREVEDUTO: --but the guy buying the large ticket item is still going to go for zero. Let's be realistic.

J A M E S W A D D I N G T O N: I agree with you, but right now-- Maybe that was a poor example. Right now, we have people going to Delaware to purchase toasters and microwaves and televisions -- anything over-- We have people going to Delaware every Friday to do their grocery shopping, but not because they have better stores.

ASSEMBLYMAN MORAN: Increase the toll on the bridge.

ASSEMBLYMAN IMPREVEDUTO: That's a good idea, Jeff. Let's increase the toll. (laughter)

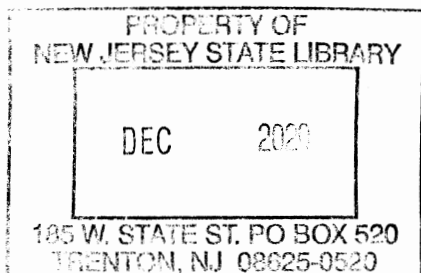
ASSEMBLYMAN LoBIONDO: Don't kid about that.

MR. WADDINGTON: It's a buck-and-a-half each way, or I mean, it's a buck-and-a-half round trip.

ASSEMBLYMAN SALMON: Buy the bridge. We can arrange that.

MR. WADDINGTON: I believe what Tom and Wes are pointing out is that we have a severe problem in Salem County which is aggravated by the fact that we are adjacent to Delaware. It is very easy to get to Delaware, and they have no sales tax. So our businesses in Salem County are suffering for that reason, as well as the fact that we are dealing with an economic downturn.

I am here, quite frankly, to speak on my own business. I also happen to be a member of the Chamber of Commerce, and I have some observations I would like to make in



connection with it. I do, I think, have some specific suggestions.

Our firm is known as Waddington-Richman. Waddington Dairy was founded 40 years ago. It is a family-owned business. Richman Ice Cream Company was founded 97 years ago. We acquired Richman Ice Cream Company in December of 1988. Between the two firms, we employ approximately 350 people in southern New Jersey. Out of that 350 people, 220 of them work in four restaurants we own, so we have about 130 employees who are in manufacturing and distributing.

I wanted to be here today to give voice to an aspect of the business community which I think is very often overlooked when the State talks about business. So far, all of your testimony here has either been around what we would call small businesses, or minority-owned businesses, or one- or two- or three- or five- or ten-employee businesses, or the larger businesses -- the ^{see Point} DuPonts and the J&Js and those guys which employ thousands and thousands of people. There are a significant number of businesses that fall into the category that we are in, which I think really do not have State programs that are directed toward that size business. And yet I think we represent a major segment of your employer body.

Our firm currently belongs to the Gloucester/Salem County Employees' Legislative Committee and we participate in that. We are also members of the NJBIA. We are members of the Greater Salem Chamber of Commerce, and we have been active with the Stand Up for Salem effort, which is basically businesses trying to help out a poor community, in partnership with the government in that community.

The point I am making, I think, is that businesses of our size have a tendency to fall through the cracks when State government begins to look at, "Gee, what can we do to, not just take a drive in South Jersey, but go out to help business?" We do not fit into any of your categories. We are too small for

major projects. I notice they announced the GE plant in Camden. That is a major project, and some of the co-gen projects that have been announced. We are too large for most of the small business programs that we have seen. They just don't fit into our current financing needs or our capital needs or our employee numbers.

Businesses need capital to operate. That is a very basic concept. You must have capital to operate. Right now, in today's business climate -- not just for businesses our size, but for the entire spectrum -- banks are under tremendous duress from the Feds, and they have really tightened down on capital. Historically, we have a working line of a half a million that we draw on through the winter, because we are in the ice cream business. I never knew how long the winter was until I got into the ice cream business.

ASSEMBLYMAN SALMON: It's a long winter, Jim.

MR. WADDINGTON: Yeah. But if you traditionally have a half-a-million dollar line and your bank comes back and says, "You don't have the line this year," what do you do? I agree with previous observations that you cannot wait 180 days to get a working line to get through the winter. You know, you put the rubber to the road and you start laying people off. If State government really wants to help business, find a way to do it. Do it responsibly; do it with cash; and do it in a hurry.

ASSEMBLYMAN VILLAPIANO: Ed, may I make a comment to that real quick?

ASSEMBLYMAN SALMON: Sure.

ASSEMBLYMAN VILLAPIANO: That's a good point. About two or three months ago, we passed a bill in the Assembly which allowed for State charter of certain Federal banks. It would allow the State basically to -- not set its own rules, but to relax the rules on credit. It was Assemblyman Roberts' bill. It was designed to do exactly what you said; to loosen credit

up a little bit. We have all felt the crunch. Your size business particularly has felt the crunch, because you definitely need capital. When you have 200 or 300 employees, there is just no way you can survive without having that capital.

That was a move in the right direction. I think other legislation which would allow our Department of the Treasury and our Department of Commerce, which seem to be understanding of business problems, with George Zoffinger and Doug Berman both-- They seem to be understanding of small business problems and medium business problems, and business problems in general, as far as they relate to the State. I think we should seek some relaxation of credit in the near future.

MR. WADDINGTON: Good.

ASSEMBLYMAN SALMON: John, you are a small business owner yourself. How many do you employ?

ASSEMBLYMAN VILLAPIANO: I am not quite as big as that. We have about 41 full-time employees year-round. I have an exactly similar problem. I own a summer day camp. I never realized how long the winter was until this year either.

MR. WADDINGTON: The last point I would like to make in terms of our business, I guess, and State funding, or State programs to help business, is, in the past when we have attempted to deal with the State on anything having to do with business, the general attitude has been that we don't know how to run our business and the State has a better idea about how to run it than we do. I would submit to you, gentlemen, that if a business has been in business for 97 years, maybe they have done something right in the past, and maybe they are capable of continuing to do it right.

I think that is one reason that many businesses are reluctant to go to the State. I mean, the standing joke in our area is, "The scariest thing in the world is somebody saying,

'Hi, I'm from the State of New Jersey, and I am here to help you.'"

ASSEMBLYMAN MORAN: Yeah, yeah, we say that all the time. (laughter)

ASSEMBLYMAN IMPREVEDUTO: It scares us, too.

MR. WADDINGTON: So, there needs to be, I think, a way to trust the businesspeople to do what is right. They are in business because that is what they do. They have been there for awhile. Look at their track record and let them administer the funds and do what they have to do. Get out of the way, and let them do it.

Tourism is a major industry. Our business is very dependent upon it. There has been a lot of lip service about tourism, I think, over the years in the State of New Jersey. "New Jersey and You" is a nice phrase, but it is outmoded. There really needs to be better utilization of tourism funds. It affects all of our businesses. It affects the Salem Chamber businesses. It affects my business. It affects, probably, everyone in this room in ways that we cannot necessarily measure.

I believe that in tourism we are way behind other states in terms of doing a statewide inventory of what is available; in terms of getting information out to the public; in terms of establishing effective information centers. I don't particularly like the current system where you have regions that compete for dollars. I would prefer to see the establishment of theme trails so that people would come in and you wouldn't have Cumberland County fighting Salem County over who gets tourism dollars. A \$5000 grant, as far as I am concerned, is relatively meaningless in terms of really getting information out.

I want to reemphasize their concern about the sales tax. It doesn't affect us as much because we do a lot of wholesale distribution of milk and ice cream. But it does

affect us in the restaurants, and it affects people who buy from us.

ASSEMBLYMAN IMPREVEDUTO: Just going back to your sales tax problem with Delaware, just recently -- in fact, last Thursday -- I met with the furniture retailers throughout the State. They have a very similar problem to something that you expressed. As you may or may not know, many people today are going down, or calling North and South Carolina for furniture, buying from magazines and on the telephone. They are not paying any sales tax either. So that gives an unfair advantage to out-of-state people as compared to our own furniture retailers.

There is something called the use tax, however, and if you buy out-of-state you are supposed to be paying that. In the furniture situation, the consumer should be paying the use tax, and there is a place to do that. A person buying a big ticket item in Delaware is supposed to pay the use tax. Even though they are bringing it back here or having it sent here, there is a use tax involved. When you buy a car out-of-state, the minute you come back into the State you have to register that car and pay a use tax. It is not a sales tax; it's a use tax. Although it is difficult to do, because you are never going to get people who go out and buy a television set to say, "I am going to claim that on my income tax." That is not going to happen.

But, we are looking at different ways to help out the furniture industry, and inadvertently, that may help you out. I am going to be meeting with them again, and these are some of the things that I think we need to discuss.

MR. DENMAN: We have a furniture dealer in the Salem County area -- in rural Salem County, over near Woodstown. They pay the 7% sales tax in order to try to lure business. It says, right in their ads, "We will pay the 7%." That is a heck of a--

ASSEMBLYMAN IMPREVEDUTO: They can't do that. Tell them not to put it in the paper. They can't do that.

MR. DENMAN: I know. They call it something else, but--

ASSEMBLYMAN SALMON: I want to make just a couple of quick comments, because we have quite a number of other people who would like to testify. But, I just left the Governor's Tourism Conference -- the Governor's Conference on Tourism, I should say. It was in Cherry Hill, a three-day conference. They are making a lot of major steps which I think are going to enhance the tourism industry. It is the right direction to go. They had 250 people at the Governor's Conference on Tourism this year. That is twice as many as were ever there before. It was run professionally.

The interesting statement that the Governor made at his address yesterday, was that the Governor's Advisory Council on Tourism is now being reorganized where the Council itself in its direction is going to be driven by professionals. Instead, before it was a lot of elected people who were on that Council. Now it is going to be key players and all the professionals' groups that make up the tourism industry.

I came away very enthusiastic and very positive about the summer tourism season coming up and the things the State is doing. Eugene Dilbeck is the Director of Travel and Tourism. He has come in from Oklahoma. You know when they had their down recession in Oklahoma, when the oil market went down, his department was the only one that had an increase. He was considered one of the top directors in that area. I think we are going to see some good things there.

Let me just say, I am going to ask staff to look at ways that we could do some things for middle-sized businesses, too; try to do some brainstorming on thoughts that might come up. Finally, I want to tell you, Wes, that what you and Tom said is right on target. If you took a survey after the 1%

sales tax was passed, and you went over to Delaware stores that do ticket items of over \$100, they would tell you that their increases were unbelievable. I attended the University of Delaware the last five years. I got to know an awful lot of the business community in Delaware. You know, they are just doing a tremendous business.

The use tax is what is supposed to be done, but, unfortunately, Mr. Chairman, that is not what is done. People do not do that. That is one area of taxation that has been missed.

But, we appreciate your testimony very much.

MR. DENMAN: Thank you.

MR. PURCHASE: A closing word: Mr. Impreveduto, if you would like to make another trip south, we have a Shad Festival coming up.

ASSEMBLYMAN IMPREVEDUTO: A what?

MR. PURCHASE: A Shad Festival.

ASSEMBLYMAN SALMON: Do you know what that is? That is a shack and we put shingles all--

ASSEMBLYMAN IMPREVEDUTO: I would love to come down. I'm sure Eddie is going to invite me down to that. At the same time, I would like to invite you up north. My town is probably the outlet capital of the world, and we invite you all up to shop in my town -- and pay 7%.

ASSEMBLYMAN SALMON: A big bargain. What do you pay across the river?

ASSEMBLYMAN IMPREVEDUTO: New York is 9%, I think. We have the opposite effect, believe it or not. We have people coming over from the City to shop here.

MR. PURCHASE: Thank you very much.

ASSEMBLYMAN SALMON: Thank you. Next I would like to call Philo Chapman, Jr., representing the New Jersey Manufactured Housing Association. With Philo is Paul Fuhs. Paul, it is nice to have you and Philo with us today.

P H I L O C H A P M A N, JR.: I would like to thank you, Assemblymen, for coming down to South Jersey and hearing some of the problems we have here locally.

One quick story for the fine Assemblyman from Secaucus: I was in Trenton at a hearing a few years back on a water policy encroachment permit. From the questions the gentleman was giving my expert witnesses, I could see that he was not familiar with South Jersey. We asked him if he had ever been to South Jersey, and he said, "Oh, yes, I have been to Mount Holly twice in the last two years."

ASSEMBLYMAN IMPREVEDUTO: My grandmother lived in Point Pleasant, and I spent all my summers there. Is that South Jersey? (laughter)

MR. CHAPMAN: That's close to Mount Holly. Mr. Fuhs has our prepared statement, and then I have a couple of constructive criticisms, I think.

P A U L C. F U H S, JR.: Good afternoon. My name is Paul Fuhs, Jr. I am the present President of the New Jersey Manufactured Housing Association. I am also owner/operator of four manufactured housing communities in South Jersey.

As a member of the New Jersey Manufactured Housing Association and a small businessman, I appreciate this opportunity to bring several serious problems to your attention. I and others in my field operate land-lease communities that provide affordable unsubsidized housing to New Jersey residents, approximately half of which are senior citizens.

State regulations being implemented without careful consideration of their repercussions are now threatening the financial stability of both community owners and residents. The most recent DEP regulation concerning sewage systems is a prime example. In many cases, the land-lease communities cannot comply with such regulations without the cooperation of their municipalities, which is becoming increasingly difficult

to obtain. Municipal home rules and their reluctance to provide zoning is one reason New Jersey has a significant shortage of low-cost housing.

Current legislation intended to provide added protection to homeowner/residents does not consider all the issues involved. Introduced mobile home park relocation assistance legislation and environmental regulations combined with municipal ordinances have placed many community owners in a "no win" situation. They cannot afford to go out of business nor do they have the financial resources to pay the increased operation costs. Laws and ordinances are making them solely responsible to heavily subsidize the housing costs of their residents.

State and municipal laws and regulations are not only creating a no-growth trend, but may also cause the small operator to ultimately lose his business, displace thousands of New Jersey residents, and eliminate hundreds of jobs.

Our organization has met with various Assemblymen and Senators, as well as representatives of DCA and DEP on several such issues.

If we expect to preserve the number of current jobs and homesites, the Legislature needs to enact laws that mandate municipal cooperation and uniformity within governmental agencies such as DEP.

We are currently facing a NJPDES permit application deadline of January 1, 1992. The cost of engineering requirements prior to submitting the application is approximately \$5000. Compliance with the regulation itself can run from \$500,000 to \$1 million for the small operation. The regulations themselves, however, are still in the process of being revised, and DEP is unable to tell the small businessman exactly what he must do to comply. If the operator does not apply for a permit, he is liable for a \$10,000 fine. And,

after a certain time, there will be \$50,000 fines per day, if he does not come on-line.

There are instances where the DEP approved the engineers' designs for water supply and/or discharge and then required changes after the system was installed. This cost the small business thousands of dollars. DEP requirements have been known to change from day to day. In fact, if you confer with four different Department representatives, you will often get four different answers. The businessman has no way of knowing what is expected of him at any given time.

We have encountered another example of such confusion in our inquiries on the new Comprehensive Housing Affordability Strategies effective March 6, 1991. Although this Federal regulation requires State and local governments to comply with certain criteria in the provision of affordable housing to be eligible for Federal funds, we have been unable to reach any State representative in any division or agency who is able to tell us what steps New Jersey is taking to meet these requirements.

Our recommendation to the Legislature is to require full consideration of each housing issue as it arises, recognizing not only obvious short-term results, but long-term effects and repercussions as well. It is clear and indisputable that New Jersey residents deserve full and fair protection as consumers. It now must also become clear that in order to effectively protect those rights, community operators must be able to efficiently maintain their businesses. Clearly defined State and municipal regulations, along with effective communication between all parties, is necessary to maintain and eventually increase the availability of affordable housing in our State. We look forward to working with the State Legislature and all State agencies and municipal authorities to attain this goal for New Jersey.

Thank you.

ASSEMBLYMAN SALMON: Philo, do you want to add anything to that?

MR. CHAPMAN: Well, the constructive criticism I said I would like to add is: One, the 14 bills that are being passed on DEP-- The first thing that you, as legislators, can do to help us is to eliminate the words, "liberal interpretation." Every DEP piece of legislation starts off with: "They may liberally interpret this law." Now, we have to have a little more strict interpretation if we are going to get anyplace.

The second thing is, I would like to see broad planning for sewer and water both on a countywide and statewide basis. Also, I would like to see in the State an omnibus office for permits. In the State of South Carolina-- I can go there right now, and by January 1, 1992 I can be in business putting homes in a modern manufactured housing community. I have ground for approximately 200 sites for manufactured housing contingent to my existing business. I have a satisfactory reputation in my community, and I anticipate that it will take me a minimum of three, and probably a maximum of 10 years to put the first house on it here in New Jersey.

I would like you, as legislators, as was brought out in our statement, to repeal the sewer permit deadline of 1/1/92. The gentleman here mentioned that his family had had a restaurant. The previous speaker spoke about the fact that he has two or three restaurants in Salem County. I seriously doubt if any of those restaurants are attached to a city sewer. If they are not attached to a city sewer, they are also affected by these same numbers we are talking about -- every restaurant, every group of houses that are on one single piece of property. If you use more than 2000 gallons of water a day -- and they will determine that by how many people go into your restaurant or place of business-- If you have a large gas station and people are using the rest rooms, like on the

Turnpike, they may have city sewers. You are going to have to go into this NJPDES permit, and it would be expensive. The NJPDES permit is the same for me, a small community operator, as it is for the City of Millville. You know, it is a prohibitive business cost.

The other thing is, as we said here, we are a manufactured housing institute. We try to represent all of our members, but we also try to have long- and short-range goals for housing here in New Jersey. I don't want to see South Jersey and/or New Jersey become like Long Island, where they are busing people into work at the factories because the people cannot afford to live there anymore. There is no more affordable housing on Long Island.

Thank you for listening to us.

ASSEMBLYMAN SALMON: Any questions from any members of the panel for either Philo or Paul? (no response) We appreciate your comments. We will certainly look at the points you raised. Thank you.

MR. CHAPMAN: Thank you.

MR. FUHS: Thank you.

ASSEMBLYMAN SALMON: Yes, Frank?

ASSEMBLYMAN LoBIONDO: Excuse me. I would like to apologize. I have another meeting to go to, but I will look for a copy of the transcript to review the material. Again, I thank everyone who is participating.

ASSEMBLYMAN SALMON: Okay. Thank you, Frank.

I want to make sure that everyone knows we have some people in the audience who I appreciate coming out. Our host city is Millville, and the Mayor of Millville is here, Jim Parent. Jim, would you please stand just to be recognized, so everyone can see who you are? (Mayor Parent complies) The Commissioner of Public Safety, who will make sure you get no parking tickets while you are in Millville, is John Hollingshead. John, it is nice to have you with us. We had

Bob Conroy here, who had to leave. He is the Mayor of Lower Township. We think it is great that Bob came. Bruce Peterson, Mayor of Upper Deerfield Township, we appreciate the fact that you took the time. We also noticed that we had two of our Freeholders, John Reinard and Jim Quinn, and we also have Herb Deininger, who is Executive Director of our Millville Chamber of Commerce. Herb, we appreciate your being here.

With that, I would like to call on Walter Kellan next. He represents the Bridgeton Merchants Association.

W A L T E R K E L L A N: Thank you, Ed, for the chance to speak before your group today. One of the things I think we have found as small business owners and small business entrepreneurs is, it is not very easy to open a business in the State of New Jersey. You know, someone mentioned just a few minutes ago about partnerships. You and I are both in a partnership, not only for the State of New Jersey but for the City of Bridgeton and for our customers, and we've got to work that way. If you are in business with each other-- If you formed a business with a partner, you know it is very important that the two of you get along very closely so that that business will run smoothly.

I think that is what we have to do -- the State of New Jersey and the small businessperson. We must make it easy for them to open up businesses. In our town alone, we have done a lot of things not only through the Economic Development and Main Street, but we have taken strides to fill those empty places. But as we all know, today it is very easy for our customers to leave our small towns and to out to the big malls, which are totally surrounding most of our cities.

Most of us small businesspeople are located in small towns throughout the State of New Jersey, and we find-- When I mention the word "partnership," we find it very difficult to get answers to our problems. One of the things, as I was talking to businesspeople in our community today, was -- and it

has been brought up several times today -- about low-cost loans for those rough times, or low-cost loans to even start businesses. We in Bridgeton have started an incubator program, which Dennis may refer to later, and it has been very successful for us. The nice thing about it is, it has created some additional businesses in town, which, in itself, creates competition. We need competition in town in order for each of us to survive. You can be the big boy in town, but you can't survive unless you have competition, contrary to how a lot of people feel, but that is the way business works -- the free enterprise way of doing business.

The other thing is, we have done a tremendous amount of promotion from the tourism business, and it certainly has been good for Bridgeton. But, by the same token, what have we done, from the State level, to promote our small towns, and to bring small businesses into those towns? We need to do that same type of promotion that we do to get a person to come to visit our State -- wherever they come to, to the shore, or to Bridgeton, or wherever it is. We need to draw people from out-of-state and from other areas into our small towns. There are a lot of small corporations which would be willing to locate if they only knew there was a spot open for them. We need to do that not only from a State level, but from a county level and a city level.

I think we have been doing that in Bridgeton, and we have been somewhat successful in bringing people in. But we need a total partnership and cooperation in it. As most of us will attest to, business is not good right now, so anything we can do to bring another person in and put him into business, to bring another customer into our town, is extremely important.

The last thing I would like to address is the problem of training. As small businesspeople, we don't always know what is going on. Many times we get information from our local city which is very helpful, but there are a lot of State

programs and problems out there that we do not know about. There needs to be training from the standpoint of letting us know what we have to do; what laws we have to comply with. For instance, if you have an underground storage tank in your building, what do you have to do? If it is over 2000, do you have to report it? Or, if it is under 2000, do you have to do anything? We need to know that information.

We need training on how to run our businesses. Now, realize that most of us feel we can run our businesses pretty good and, for the most part, we can. But there are some aspects of business that we need to know about, especially people who are starting out in a new business in the critical times within the first five years. If we can help them within our cities to get on the road, then we have created a business that may be there for that 100 years. We have been there for 63 years. I think it is important that we get training, and through all of this, brought together, I think we will create jobs within our communities. If we don't have jobs for them to go to-- Take the 20 empty buildings that we might have in our community and an average of four or five employees for each of those buildings, and we would already have put a notch in the unemployment in our community.

I feel it is very important that we, as partners, come together and make it a better New Jersey. Right now, sometimes New Jersey is looked at as, "I don't want to go in there. They have high taxes. You can't get an answer on anything, if you want to find out anything about them." And they say, "Well, I am going to go to North Carolina, where it is a lot cheaper." And yet, South Jersey is a beautiful place to live. If you all haven't come down this way, come on in to South Jersey and find out what it is all about, because it is a great place to live.

I thank you.

ASSEMBLYMAN SALMON: Thanks, Walt. I like your "you all" comment.

Let me just add a point, if I may, Walt, because Mayor Rainear has indicated to me many times the tremendous job the Bridgeton Merchants Association does to support the downtown area. Has the UEZ been helpful to the downtown area in the City of Bridgeton, in your opinion?

MR. KELLAN: Well, I think it has been helpful from a couple of standpoints; for one, the lowering of the sales tax, which certainly has helped -- as someone referred to it -- going to Salem. We still feel we lose about 10% of our customers to Delaware, and we are further along than what Salem is. The positive thing about that is not only from an advertising standpoint where we can draw people into our community, but it is what that money can do within our community, and how it can redevelop areas which were shabby looking. We can take them, tear them down, and redevelop them into nice-looking pieces of property, and then reuse those pieces of property in a positive way.

I think one of the best things that has happened is that we have been able to work on an incubator program in our community, which has brought new businesses into town and has stimulated business activity. It is working very prosperously right now.

ASSEMBLYMAN SALMON: We appreciate your comments very much, Walt.

MR. KELLAN: Thank you very much.

ASSEMBLYMAN SALMON: I would like to bring two gentlemen up next to testify from Pennsauken, New Jersey -- Paul Diana, representing the South Jersey Chamber of Commerce, and Jay Levenson, also from the South Jersey Chamber of Commerce. If you have anyone else you would like to bring with you, they are welcome. We appreciate your coming all the way down. I spent the evening in Cherry Hill last night at the Governor's Conference on Tourism, and I think there are a lot of good things going on in Pennsauken. It is good to have you here.

P A U L D I A N A: Good afternoon. I will start off. My name is Paul Diana. I am President of Manatee Environmental Associates. I am here today representing the Chamber of Commerce of Southern New Jersey's Small Business Action Committee. I serve on the Committee along with 60 others. Jay Levenson, President of Simulation Systems Technologies, and the Director of the Small Business Action Committee, Terri Ballard, and I are here this afternoon. The Chamber consists of approximately 700 members, 80% of which employ 100 people or less.

Based on a survey of our Board of Directors and membership done last fall, we found that the major concerns of our members were: 1) State taxes; 2) an increased need for economic growth incentives; and 3) government overregulation.

I understand that the reason for this hearing today is to receive testimony from small business owners on the economic climate, in order to recommend legislation to the Speaker of the Assembly which would bring some relief. My opinion is that the problems we are facing today are a direct result of the existing regulatory legislation. I don't think the solution lies in drafting new legislation, as much as amending existing legislation.

I am here today to suggest that the best course of action for the Legislature to take to restore economic development is to return the business of doing business back to the business community. Proposed regulatory legislation, as with past regulatory legislation, will only provide more barriers to commerce and more roadblocks to business. More legislation intended to solve short-term inequities will only serve to exacerbate the very situation it was designed to correct.

It is essential to restore the free enterprise concept that has allowed our economy to grow and prosper. Let the marketplace dictate the course of growth for the economy unrestricted by unnecessary and stifling legislative

barriers. Allow business the opportunity to expend all its precious resources on productive activities.

At the present time, the process of doing business requires too great a toll of unproductive time devoted to adhering to governmental regulations originally designed to help business. The intent of the legislation -- to protect the people -- is lost. The cost of this burden is evident across all aspects of the business process. The overall impact is a reduced business capacity, wasted resources, and a negative impact from a seemingly positive law. It is a no-win situation.

By government forcing itself as a big brother/partner on business, it is, in effect, eliminating the entrepreneur from the business equation. It is adding an element of incalculable measure to the development of an idea or the initiation of a new business. It is restricting the lifeblood of creativity and imagination which are the cornerstone to new business development and success. Instead of letting the marketplace decide its destiny, legislation tries to determine where it should be. This practice has already stunted big business' initiative. The play-it-safe, no-risk policies have left some of America's major corporations as me-too players -- no new product development, no truly unbridled research and development.

Everything in life has a risk associated with it. By trying to protect everyone, you are not only failing to eliminate the risk, but are also penalizing anyone who is willing to take a risk. You can't legislate equality and you can't legislate a standard of living. By formulating additional regulations, you will worsen both conditions.

Give those individuals willing to take a risk the opportunity to reap the rewards. Let those people who elect a less-risky venture have an opportunity to earn a living. Have faith in the free enterprise system as it was conceived and

nurtured by those who built this country. Let the people have the freedom to decide the course of business activity.

Thank you for the opportunity to present this position today. I would be happy to answer any questions.

ASSEMBLYMAN SALMON: Jay, is that your statement also? This is your statement together? You both serve on the committee together?

J A Y L E V E N S O N: I have a statement of my own.

ASSEMBLYMAN SALMON: Oh, okay. I'm sorry.

ASSEMBLYMAN IMPREVEDUTO: Could he summarize it instead of reading it? We all have a copy up here.

ASSEMBLYMAN SALMON: Could you summarize your statement, because we have it here?

MR. LEVENSON: Okay, sure.

ASSEMBLYMAN SALMON: We ask that instead of reading it verbatim, that you summarize it.

MR. LEVENSON: Great. My name is Jay Levenson. I am the President of Simulation Systems Technologies, Inc. I recently started a new business in the State of New Jersey, so I am pretty familiar with the kinds of problems that a start-up has to go through. What I attempted to do in my paper was to present a couple of points that I felt might represent the kinds of issues that the Legislature might want to look at to assist the growth of new business in the State. It is, in my opinion, the small businesses of this State which are adding to the growth of employment and, as a result, increasing the overall tax base for the State.

A couple of points I made-- There are basically five points, and I will just highlight them briefly. As a matter of fact, the gentleman who spoke just before us talked about an incubator type program. I don't see why this is not done at the State level, as opposed to being left to the individual communities to attempt to address. This is done in several other states quite successfully. It does not have to be an

expensive item. It may not even cost anything, and may actually generate revenues. I think that is something that we should be doing.

Secondly, again points were made previously on the availability of capital. Small businesses, especially small high-technology service businesses-- These are guys who do not have inventory. They do not go out and buy a half-a-million dollars worth of widgets where the bank can say, "Well, I know I can go grab that if I need to." We deal in people. The banks don't want to recognize that as an asset, even though we recognize it as an asset.

ASSEMBLYMAN IMPREVEDUTO: Try trying to refinance a building.

MR. LEVENSON: Right.

ASSEMBLYMAN IMPREVEDUTO: I just went through it.

MR. LEVENSON: Right. It is a very difficult situation for us. Very frequently, if we can manage to get the financing we have to pay exorbitant rates, paying a point-and-a-half over prime--

ASSEMBLYMAN IMPREVEDUTO: Absolutely.

MR. LEVENSON: --which is not bad--

ASSEMBLYMAN IMPREVEDUTO: That's all? Gee, can I meet that banker. (laughter)

MR. LEVENSON: Again, only because of resources that were available to us personally.

Another issue -- again which was brought up by other folks -- is the cost of health insurance in the small business community, if it is available. Again, for a start-up organization with three or four people-- Just to try to get a health insurance policy is a difficult task. Once you do get it, the kind of numbers we are talking about -- having 30% and 40% and higher percentage rate increases every year -- are killing us. It would be useful to see some kind of a pool of small businesses at a State level dealing with that as a

collective pool, as opposed to each individual three-man or four-man company going out and trying to deal with an insurance company on its own -- besides the time-consuming aspects of that.

Other points to be made: Large corporations-- The Governor very frequently speaks of having given tax incentives to bring major corporations into the State. This 2000-person organization came in, and this 4000-person organization came in. That's very nice. The problem is, that is only a fraction of the new growth of labor in this State, of employment in this State. The small businesses are the ones that are doing it. The State of New Jersey does not even recognize a S corporation as a legitimate business form when it comes to taxes, whereas most other states do.

In addition, I would like to see some legislation which would protect and shelter a small business in its first couple of years, so we would not be burdened with great amounts of taxes. If we survive those first few years, you will get your taxes later. Give us a chance to get off the ground with some kind of tax relief.

My final point: We are faced with an issue, which I guess everybody in the State is, and that is that with the recent State tax increases of approximately \$1000 per capita in the State, our employees come to us, as their employer, and say, "We have to get some more money to pay our bills." The larger corporations right now might be downsizing and they don't mind losing a couple of people here and there, but a small business, especially a high-technology business, cannot afford to lose any people, and we are forced pretty much to have to meet those salary demands.

That puts us at a tremendous economic disadvantage when competing with out-of-state corporations, especially companies like my own which go after government business, which is very price sensitive. If I have to fight with a business

down in Virginia, it makes it quite difficult when I have to pay higher salaries in this State to make up for tax differences.

ASSEMBLYMAN IMPREVEDUTO: Well, if you are fighting for New Jersey business, you will be happy to know that I am the sponsor of a business preferential tax -- a New Jersey business preferential tax--

MR. LEVENSON: That would be great.

ASSEMBLYMAN IMPREVEDUTO: --which means that 10% of any bidding would go to New Jersey. So out-of-staters would have to raise their prices by 10%.

MR. LEVENSON: Small businesses, you know, in certain areas are protected by their states and a lot of foreign companies are, indeed, protected. I would like to see something happen--

ASSEMBLYMAN MORAN: I thought that was the Zangari law.

ASSEMBLYMAN IMPREVEDUTO: It's Zangari/Impreveduto. I'm stuck on that one. There's a cosponsor right here, Ed Salmon.

MR. LEVENSON: I appreciate the time.

ASSEMBLYMAN SALMON: Okay, great. Are there any questions? (no response) Thank you very much for coming down.

ASSEMBLYMAN IMPREVEDUTO: And for summarizing -- believe it or not -- for us.

MR. LEVENSON: Thank you.

ASSEMBLYMAN SALMON: We have enjoyed a good relationship with the Chamber of Commerce of Southern New Jersey, with the Executive Director and the Board and the work they do. Please extend our best wishes to everybody.

MR. LEVENSON: We'll do that, thank you.

ASSEMBLYMAN SALMON: Jonathan Savage, Director of Economic Development, Cumberland County. Jonathan?

J O N A T H A N S A V A G E: Good afternoon, and thank you again for the opportunity to come today. As the Director of

Economic Development for Cumberland County, I represent a pretty broad and diverse mix of small businesses. I think the definition of small business is really up to interpretation, but I think what I would like to discuss today are some measures that I have had in terms of my interaction with the small business community.

In particular, we have talked extensively about financing programs. In my opinion, there is really no financing program in the State of New Jersey at this point that really addresses small business financing. We have heard some talks and some discussions in the past, but my own opinion is that the programs that are functioning right now-- The paperwork is either too time-consuming, the funds have been depleted completely, or the loan officers really are not interested in doing loans with small start-up businesses. In particular, I would like to emphasize start-up businesses because those are the ones that: Create the most jobs, as we have already heard; create the most ratables for our communities at this time; are the ones that are extremely underfinanced.

I think it is imperative that the New Jersey Economic Development Authority, which principally supplies the majority of the capital available to businesses throughout the State, reemphasizes its commitment to small businesses. In particular, I have heard some discussions from some loan officers and some chief administrators of the organization. They are leaning toward financing some of the small business loan programs that are not in existence at this time.

Personally, I think we need to encourage small business growth as much as possible, especially the start-up entrepreneurs. Those are the ones that are going to lead us into the 21st century, but they are not being supported at this time. I think, again, the paperwork, the ability to finance the programs -- which is very underutilized at this point --

and the inability of the programs to function as they should function are the major factors in programs not being utilized as much as they possibly can be.

Next I think I would like to address everybody's favorite topic -- DEP. We undertook a survey within the last three months that addressed the economic impact DEP is having on our particular business climate in Cumberland County. What we found was that there has been a loss of approximately \$20 million in business per annum -- 1990. One of the most disturbing statistics, however, was that 15% of our existing businesses were interested in leaving the State, and our county, because of the implications of DEP on their business growth.

Needless to say, we have discussed this much today; to a large extent, DEP. However, I think there are certain recommendations that I would like to bring forward today that were raised by the survey, which I think you should have brought to your attention; in particular, a standardized fee and fine structure. The arbitrary, capricious manner in which it is administered at this point should not be. There should at least be some type of definition as to how they are passed out and how the businesses are being affected at this time.

In particular, a one to one relationship was cited by the businesses that answered the survey as not being established through the Department. In particular, I think there needs to be an outreach program established by DEP and a little bit more one to one contact with the businesspeople in order to understand what types of legislative and administrative problems they are going to run into.

Lastly with regard to DEP, there is an explicit need to streamline the process. Again, in reviewing the 14-point plan proposed by Assemblyman Doria, we are in the process of evaluating some of those criteria in my office. At a later date, we are going to issue what we believe will be a

summarized opinion of all those bills, as well as an opinion of our business community through the survey. In short, we are going to issue our own report, and we are hoping that we will get some legislative and administrative support of it.

Lastly, one particular point I would like to stress is about cooperative agreements, as well as economic partnerships; in particular, the tourism grants. I believe the tourism grants are underfunded. However, they are terribly important to our small and fledgling business community in Cumberland County. Five thousand dollars is an enormous sum of money for a small tourism-related activity in our county. We need to reimplement the tourism grants statewide, because I believe they are imperative to continued tourism growth in the area.

Secondly, the labor force: We initiated a Focus on Education for Employment Session. Basically, it engaged a partnership of business and education. We had, specifically, educators, as well as businesspeople meet for the first time ever in our county. We believe that by doing this type of cooperative effort -- an education/business partnership -- we will come up with some very conclusionary recommendations. In other words, expand the 10K Program and refund it for the next year. Develop an Executive on Loan Program that will allow businesspeople to meet with youngsters in schools to tell them what business is really like; what it takes to run a business; and possibly even encourage entrepreneurial growth in the future.

Lastly, emphasize vocational education in our school systems. There is an increasingly large emphasis upon college education, and the forgotten stepchild is vocational education. There is a sincere need for our entire business community to emphasize that fact, and to pick up on the point that there is a vocational community there that needs to be supported by funding, as well as by an upgrading of skills.

Economic development partnerships at a county, municipal, and State level need to be established. In particular, in Cumberland County -- and I have been emphasizing this point for many years, and we are in the very, again, fledgling stage of doing something like this-- In other words, sharing costs between municipal and county levels to emphasize and advertise what some of the positive aspects of our State, region, and community can be. I think with resources as scarce as they are these days, the joining of the business community with all these levels of government, as well as people such as yourselves-- We have our work cut out for us, but strength in numbers will see us through some of these recessionary times.

That is very briefly what my comments are, Mr. Chairman. I sincerely appreciate your time today. I think that some of these recommendations, as well as all of the ones you have heard today-- It is extremely important to keep encouraging our economic growth in southern New Jersey.

Again, I appreciate your time.

ASSEMBLYMAN SALMON: Okay. Thank you, Jonathan. You might want to, as you put together your comments on the bipartisan package of 14 bills to overhaul and streamline DEP-- There will be a hearing in South Jersey on that issue alone. That would be a good time for you to come and present your thoughts, because what we are going to do is really work on those bills to make them better and more effective.

MR. SAVAGE: I think there are some very good bills there. There are a lot of excellent ideas. I will appreciate the opportunity to comment on them.

ASSEMBLYMAN IMPREVEDUTO: Could we get a copy of your survey?

MR. SAVAGE: Definitely; definitely. It had a far-reaching effect. It was the only survey done statewide.

ASSEMBLYMAN SALMON: You want a copy of the survey?

ASSEMBLYMAN IMPREVEDUTO: Yes, I would like to see that.

ASSEMBLYMAN SALMON: If each of the members of the Committee could have a copy of the survey, Jonathan--

MR. SAVAGE: I would be glad to provide them.

ASSEMBLYMAN SALMON: --with a little note from you, that would be appreciated.

MR. SAVAGE: As far as the loan programs, that is something that is definitely needed. I would really like to emphasize that.

ASSEMBLYMAN IMPREVEDUTO: And as a business educator, I am glad to hear your emphasis on business and vocational education. That certainly is important.

MR. SAVAGE: Thank you for the opportunity.

ASSEMBLYMAN SALMON: Thank you, Jonathan. Next we will have Mayor Don Rainear, representing the City of Bridgeton, and Mr. Dennis Campbell. Mayor, how are you doing?

M A Y O R D O N A L D H. R A I N E A R: Okay, Assemblyman. How are you, Mr. Chairman -- Messrs. Chairmen, I guess?

ASSEMBLYMAN SALMON: Mayor Rainear is also, I think-- You are still President of the New Jersey State League of Municipalities?

MAYOR RAINEAR: I am past President now. My term expired in November.

ASSEMBLYMAN SALMON: In November, okay. It was such a fast year, Don. I didn't realize it went by so fast.

MAYOR RAINEAR: I appreciate the plug, however. I realize it is late and that you have heard a lot of speakers. I am going to try to keep my remarks brief. We do have a brief television show we want to share with you. I want to address my remarks today to small business development as it relates to downtown central business districts, retail businesses.

There are many small communities, and even large urban areas, that have had a decline over the last-- Really, I think

it began about 40 years ago with the advent of interstate highways and other intrastate highways that led to the development of the mall concept. One of the central issues in the mall concept it seems to me, other than the obvious parking convenience and some all-weather shopping, so to speak, is the issue of consolidated management. There are a couple of programs in New Jersey, one the Main Street Program, which you have heard mentioned several times today, which has just begun to develop, really, in New Jersey. In fact, right now it is only on the technical assistance level. The Federal government came in and New Jersey adopted the program. The only assistance we get is really technical assistance, where they bring in consortiums of people who have some levels of expertise in general areas. I think that program is one of my specific recommendations to the Committees: That program should be funded at some level to help develop consolidated management for downtown districts.

It seems to me that there are several disincentives for small retail business development: One is the lack of risk capital; another is government regulation; another is the unavailability of appropriate facilities; and, again, the lack of consolidated management. Contrary to what one of the previous speakers from Pennsauken, I believe, said, I believe that government has an important role to play in the development of business and can assist our free enterprise system. I don't think we are ready to embrace Adam Smith quite as much as he was. I was glad to see that he was reincarnated and living in Pennsauken.

But, I think most businesses will recognize that government has an important role. In fact, I think it is, frankly, a little absurd to think that-- There are many, many forms of government subsidies, as we all know, in terms of our tax policies, our regulatory policies, and such, and to try to promote some kind of laissez-faire economy at this time in the development of the United States seems a little ridiculous.

I think the role that government can play, and has played, particularly in the State of New Jersey to a large extent by virtue of the Urban Enterprise Zone, the Main Street Program -- albeit underfunded, or suffering from a lack of any funding, so to speak -- and some of the other State loan programs, the EDA-- These are important funding apparatuses.

One of the things I think the legislation needs to do is to remove some of the disincentives. We need to develop pools of money so that start-up businesses can take the very limited capital they have and put it toward the working capital aspects, and preferably use this money for fixed asset capitalization.

The Urban Enterprise Zone legislation, as you have heard today, does not allow, or currently permit the lending of any Urban Enterprise Zone funds to private businesses. We have resources within the Urban Enterprise Zones -- those of us who are fortunate enough to have an Enterprise Zone -- to lend money, but we are prohibited under the law. So I think one of my legislative recommendations, or recommendations to the Committee is, remove that prohibition in the Urban Enterprise Zone law that prohibits those municipalities from giving low-interest loans to start-up businesses.

The other thing is, I was hoping that through the Main Street Program, or some other funding mechanism, you would provide funds, because in many of the small communities you need a coordinator; you need a mall consolidated management concept downtown, someone who is going to take the hands of the entrepreneurs who are out there. We found in our surveys that there are many entrepreneurs out there. They need a little bit of capital; they need someone to guide them through the steps. Oftentimes, it is a question of \$25,000 or \$50,000 worth of budgeting to hire that person to coordinate the rebirth of downtowns.

We have been very successful in a recent concept we had. You are probably familiar with the incubator concept in general. I think we are the only city in New Jersey that has taken this concept, which heretofore has been primarily utilized in the office setting or in a very small industrial or distribution setting-- It has never, to my knowledge, been used in a retail setting. Many downtown centers have large buildings that were department stores, so to speak, small department stores, that moved out to the malls. We have found in our marketing analysis of our community that the market for that large space is not there. You need to break that space up and make it more accessible to the smaller entrepreneur and, in effect, create a little mini-mall in the downtown.

In addition to that, we need to provide the technical services and support to those entrepreneurs through a variety of accounting mechanisms and all the other things that are associated with incubators, so they can mature, and eventually develop and hopefully move to another location. But if they remain there, that's okay as well.

We have one such project where we took a large space in our downtown where two department stores moved out and, through the use of our Urban Enterprise Zone's funding, and now more recently we just received a substantial loan from the Urban Development Corporation of New Jersey-- We are purchasing these buildings through the Urban Enterprise Zone Development Corporation. We have reconfigured that space and have now successfully filled about 50% of it. The other 50% of the space we are just buying. We already have a lease, and that is under construction now.

Dennis Campbell is the Main Street coordinator of one of the five Main Street communities in New Jersey, as well as being an Urban Enterprise Zone. He has worked downtown with the merchants and the business interests and has been able to coordinate-- I think this is a good example of the kind of

funds needed to provide the talents of a Dennis Campbell throughout the State, particularly in the older urban communities. I would like to ask Dennis to present a little TV presentation of the Enterprise Zone -- I mean, the incubator concept, excuse me. This was done by some high school students, so it is not very professional. But it is the best we have, and I think it will give you some graphic demonstration of what can be done. Let us try to get it running here.

ASSEMBLYMAN SALMON: While you are working on that, Mayor, I would like to just add a comment: I had the honor last night, with Commissioner Zoffinger, to hand out the six awards from the New Jersey Travel and Tourist Association at the Governor's Conference on Tourism. I want to congratulate Bridgeton. Bridgeton was one of the awardees last night. Bob Rose accepted the award on behalf of the City for the efforts of the City of Bridgeton. You were in very good company last night with major people who have achieved things throughout the State, and I congratulate the City.

MAYOR RAINEAR: Thank you. Okay, here we go. (videotape presentation at this point; Mayor Rainear and Cochairmen interject comments during the presentation) Dennis did a lot of survey work on what the retail market in Bridgeton could absorb. We just have one more shop to show you. When the department store closed down, we really didn't have a very good selection of women's apparel.

ASSEMBLYMAN SALMON: Are you showing the space for the Motor Vehicle agency I heard about?

MAYOR RAINEAR: Yes, I think that space is upstairs.

ASSEMBLYMAN SALMON: You ought to take this film to the Governor's Office.

ASSEMBLYMAN IMPREVEDUTO: Now, the money to do this was gotten from?

MAYOR RAINEAR: Urban Enterprise Zone funds.

Thank you, Dennis. (videotape concludes) I think that gives you an idea of the concept. I can't tell you-- The building was in some disrepair. It was really a drag on that section of the downtown. We have a relatively small downtown, and that quadrant really suffered as a result of the departure of the two department stores. With the advent of the mini-mall incubator concept, it has really brought new life to that part of the community.

Just in closing, I think we have had a series of public improvements in our community through Community Development Block Grant money and a series of other various grants from Green Acres, and water conservation grants from the Federal government. But the public improvements are the easy aspect. I think developing business is more difficult. You need an environment -- an economic environment -- that provides entrepreneurial inducements, I think particularly in distressed cities and, unfortunately, we have the distinction of being a distressed city. Historically, our unemployment usually runs about double the State's, so we have to be as creative as possible, and I think this is one of the winning programs.

I have been told that the Urban Development Corporation is now a funding participant in this program. We are getting a lot of inquiries about this concept, and this may be a model for similar kinds of projects throughout the State.

ASSEMBLYMAN SALMON: Okay, great.

MAYOR RAINEAR: Dennis may want to add just a couple of remarks.

D E N N I S C A M P B E L L: For those of you who are approached by small towns with these kinds of problems, this problem has been looked at in great depth by the National Historic Trust through this Main Street Program you have heard about. I think the consistent thing -- if you were going to advise anyone, or you look at your programs-- There is a lot of data that has been gathered already. They have already

developed a formula plan. But one of the things that is consistent out of this program with the communities that have succeeded is the full-time management, because cities are being faced with problems which are untraditional for small cities to face. They are being asked how to rebuild their economic structure downtown, and no current city government has that type of person on staff. So I think it is very important in small communities to receive that assistance so they can bring that expert on.

This solution is working for Bridgeton -- an incubator concept. A problem may be slightly different in another community, but it needs that in-house expertise to evaluate the market and find a program to fit that community.

ASSEMBLYMAN IMPREVEDUTO: Fortunately you are a UEZ area, and you have the benefits from the UEZ area that were put there to do this type of thing. We do have towns that are on the cusp, which are not UEZ, which have these very same problems, and they are not fortunate enough to be able to do that. You know, they kind of fall between the cracks.

MR. CAMPBELL: That's right.

MAYOR RAINEAR: That is correct.

ASSEMBLYMAN IMPREVEDUTO: That is what we need to look at.

MAYOR RAINEAR: We can't fund Dennis' position directly from the UEZ either, so it is kind of an anomaly there. My suggestion is that a Main Street Program be truly funded in New Jersey. There has been legislation proposed in the past, I think.

MR. CAMPBELL: There are communities, for example, that have programs that are operating. We are the only UEZ community in the first four that-- Other communities have solved the problem. The commitment is there from the communities if they can get some help. Some have done special improvement districts. Some are just doing it from the private

sector, or at least a cooperative joint effort. In our community, right now, the merchants are putting in money to sponsor marketing campaigns.

ASSEMBLYMAN SALMON: I want to thank you both. Mayor -- and I know that neither you nor Dennis would say this -- if the members of this Committee had a chance to see Bridgeton the way it was before your administration got there, and what you have done to Bridgeton-- You really have a downtown city area now that could be shown off anywhere in the country.

ASSEMBLYMAN IMPREVEDUTO: The Democrats--

ASSEMBLYMAN SALMON: I am not getting partisan. (laughter) Thank you very much.

We have four more speakers who are going to try to be quick. But I wouldn't let Marianne Lods go away without saying hello and making a few comments. She is the Executive Director of the Greater Wildwood Chamber of Commerce. Dan Erickson, I would like you to go next. Dan has an exciting project that he is working on that is going to have a benefit to all of South Jersey, and New Jersey as a whole. Harry Smick is here from Smick Lumber. Harry, I would like you to go after Dan. Gordon Dahl is here from South Jersey Economic Development, and Melanie Willoughby, if you can stick around. You are going to have to be upset with me. This is just the way the names fell in line. You will go after Gordon.

So those are the people I have left who have signed up. If we could sort of move it along-- Jeff would have liked to have been out of here by 4:15. I told him, "It's too late; we have already passed that deadline."

ASSEMBLYMAN MORAN: Anybody else can go to Secaucus. I'll see you there.

ASSEMBLYMAN IMPREVEDUTO: Why don't you just go north and talk to us up there?

ASSEMBLYMAN SALMON: We are going to try to have everything lined up by about 5:00.

M E L A N I E L. W I L L O U G H B Y: Well, then, I will just leave.

ASSEMBLYMAN SALMON: Don't leave, Melanie. I just want to let you know, Melanie, this is something that John Villapiano said. He wanted to know whose pictures were on that wall, and whose were on this wall? I told him on that wall are the Mayors who are dead, and on this wall are the Mayors who are still living. And Jim Parent and I want to stay on that wall as long as we can. All right? Marianne?

M A R I A N N E K O R N B L U - L O D S: Thanks, except that I am from the Greater Vineland Chamber of Commerce, not Wildwood.

ASSEMBLYMAN SALMON: What did I say?

MS. LODS: Wildwood. Wildwood is a fine community, however.

ASSEMBLYMAN SALMON: Oh, beg your pardon. I'm sorry.

MS. LODS: Thanks a lot for being here today. We talked about Secaucus a lot. I have a dear friend who I haven't seen in quite a long time from Secaucus. She was on their Board of Education for a number of years. I don't know if she still is -- Julie Price.

ASSEMBLYMAN IMPREVEDUTO: Sure. I know Julie very well.

MS. LODS: She and I go back to the early '70s together. She is a really fine person.

Just a couple of things that have not been touched on so far today: Something our Chamber of Commerce does regularly is, we get together with City Council and the Mayor of Vineland and work on legislation before it is introduced. We have overcome so many differences, especially in the areas that affect our manufacturing firms, which are the backbone of the Vineland area, and the Cumberland County area, really, when it comes to legislation that might give the Health Department, for instance, rights to impose fines for some cleanups, you know,

for accidental spills, or what have you, which do not fall under the HAZMAT ordinance, or whatever is in place.

We worked out legislation ahead of time through the different committees we have in our Chamber of Commerce with members of City Council liaisons. We have avoided so many problems that way and created such good will. If more can be done with that business sector and State legislators, even though, you know, we do have good communication with our representatives -- and I don't know if that is true in all areas-- But certainly the lines can open more. You people have so much legislation to digest and look at all the time, I have no idea how you even manage any of it.

ASSEMBLYMAN SALMON: We're not sure how we manage it either. Maybe we don't manage it too well.

MS. LODS: Sometimes I don't even remember my name, so I don't know how I could remember all that.

Just one example of legislation that has been really sticking in everyone's throat around here, especially the manufacturers, is the HELP bill. I know you have heard it. You have heard it from the State Chamber of Commerce over and over again. But, for example, one of our food processors in Vineland has about 350 employees. When that bill was first introduced, he brought it to my attention because he is always monitoring this. It's Progressive Foods, by the way. He said that he figured out that if somebody brought something into his plant and he had to bring in the experts and hire all the people that this legislation allowed for, it might cost him approximately \$75,000 just to look at one particular area. So, please, keep--

ASSEMBLYMAN IMPREVEDUTO: No, that's crazy.

ASSEMBLYMAN SALMON: Please help!

MS. LODS: Please help, yeah. Help, help.

ASSEMBLYMAN IMPREVEDUTO: I will tell you right now, I will vote against that bill.

MS. LODS: Okay; all right, great. One other area -- and quickly -- is transportation. I think you might have come down the Parkway today if you stopped in Ocean County.

ASSEMBLYMAN IMPREVEDUTO: I traveled every road in the world. (laughter) I went through Ocean County to pick these guys up.

MS. LODS: You got off the Turnpike onto the Parkway, and you probably exited at 44 in Pomona.

ASSEMBLYMAN IMPREVEDUTO: Is that where we exited?

ASSEMBLYMAN MORAN: Yes, yes.

MS. LODS: Okay. I know my roads. I have been all over this State.

ASSEMBLYMAN IMPREVEDUTO: We passed Stockton State College, I know that.

MS. LODS: Okay. What a horrendous way to have to travel east/west in this State.

ASSEMBLYMAN IMPREVEDUTO: I agree.

ASSEMBLYMAN SALMON: It's a good thing he was driving.

ASSEMBLYMAN MORAN: Well, we're getting a helicopter the next time. (laughter)

ASSEMBLYMAN SALMON: We sold them all.

MS. LODS: That is only a Band-Aid solution. But whether you came from the Parkway and traveled -- we are in the center right here of southern New Jersey -- or if you had to come from the Delaware River area -- Wilmington or Philadelphia through the Commodore Barry Bridge, or whatever -- you encounter the same thing. Magnify whatever troubles you had on the road today by a zillion, from Memorial Day through Labor Day, with the shore traffic, and everybody wanting to throw their money away in Atlantic City, and it is a total nightmare. If we are going to have any real economic growth in Cumberland County, Salem, and all of our neighbors, it is going to be with improved east/west transportation.

You know, everyone thought that manna was here when Route 55 opened and, believe me, it's a pleasure; it's wonderful. It is easy now to tell someone in New York City how to get here, and you don't have to tell them 25 different roads. You can explain it in five sentences. But, east/west is vital. Whether it is the improving and widening of Route 40 just past the Delaware Memorial Bridge, or a whole new highway structure, it is imperative that we get it, or we are just going to stagnate, and overflow growth is not going to spill down here, as so many people are hoping.

Thank you.

ASSEMBLYMAN SALMON: Thanks, Marianne. Dan Erickson. Dan, it is nice to have you with us.

DANIEL H. ERICKSON: Thank you, Mr. Chairman. I particularly liked your word "exciting," because I think this is an exciting program. We have had encouraging words of commendation from the Governor and Commissioner Zoffinger and from yourself, Mr. Chairman, and from Assemblyman LoBiondo. We are very much encouraged by the support we received from State government.

Our program is to-- I gave out circulars to, I believe, everyone here in the room which give a little idea of what we have in mind; namely an economic and business development conference for southern New Jersey, to take place in Atlantic City on May 9 and 10 of this year, to showcase South Jersey for the rest of the country and for the world, and to provide an opportunity for South Jersey businessmen to network and hopefully establish partnerships from business and investment interests outside of this area and around the world.

We don't want it to be a talkfest only. Therefore, we already have on the drawing board an economic development program which we hope to put into effect, if the real spirit of wanting to develop southern New Jersey comes out of the conference.

I won't go into the details of that now because of the shortness of time. Also, it may not be timely to discuss it in any event, because we are gathering ideas. I am here for two reasons: One is that I, myself, am here to listen. You may notice I have been taking extensive notes. We are still looking for ideas and input into our conference and economic development preparations. But I do want to do what I can today to promote the idea of the conference. We are not looking for legislation just now, although perhaps in the future we may come back for that.

But all of you must have many inquiries from businesspeople, particularly outside the area, about New Jersey. We would greatly appreciate it if you would let them know, as they come to your offices, or call you, about what we are doing. Offer them the opportunity to come into the conference and participate.

Many, many thanks.

ASSEMBLYMAN SALMON: Okay, Dan, thank you. You might want to also-- I don't know if you are going to the Governor's Summit or not, but you might want to get involved up there next week in that. Make sure that George Zoffinger will be talking a little bit about the efforts you are making. We appreciate what you are doing.

MR. ERICKSON: As a matter of fact, Mr. Hubbard, Chairman of the Board of Atlantic Electric, is very much involved in that, and very excited about it.

ASSEMBLYMAN SALMON: Okay, great. That's super.

Harry? Thanks for coming over from Salem.

H A R O L D S M I C K, JR.: Thank you.

ASSEMBLYMAN SALMON: Harry, you aren't the guy who lost the million dollar lumber deal that they were talking about?

MR. SMICK: Almost.

ASSEMBLYMAN SALMON: Were you?

MR. SMICK: Almost, Assemblyman, almost.

ASSEMBLYMAN SALMON: Okay. For many years, Harry's family has been in the lumber business. How many years, Harry, exactly?

MR. SMICK: Eighty-five years.

ASSEMBLYMAN SALMON: A lot of years.

UNIDENTIFIED MEMBER OF COMMITTEE: He doesn't look that old.

ASSEMBLYMAN SALMON: No, he doesn't look that old. You're right.

MR. SMICK: Thank you, Mr. Chairman and members of the Committee. We appreciate the opportunity to come over today from our part of southern New Jersey. My name is Harold Smick, Jr. and I am from Smick Lumber. I am the President of the family firm established in 1906 in Quinton, Salem County. The fourth generation of our family is active in the business today. Our industry and our business, like much of the State and the nation, are in a recession. Actually, as I told Governor Florio recently at another meeting, we are in a second recession, that of the \$2.8 billion tax package of 1990. That is a record State increase, the largest perhaps in any state in the nation's history.

The recession and that huge tax package are really having a devastating effect on our business, and many of the small businesses throughout Salem County. Located just 11 miles from the Delaware Memorial Bridge and the State of Delaware where there is no sales tax, our small family, with 25 employees, is seeing thousands of local residents going to Delaware to purchase their daily needs, items that in New Jersey are subject to the new 7% sales tax.

ASSEMBLYMAN IMPREVEDUTO: I need to stop you there.

MR. SMICK: Yes?

ASSEMBLYMAN IMPREVEDUTO: I've got to say this to you.

MR. SMICK: Please.

ASSEMBLYMAN IMPREVEDUTO: From six to seven you saw a tremendous -- people just flocking over because of six to seven, one penny.

ASSEMBLYMAN SALMON: Bus loads.

MR. SMICK: We did. Just that increase, Assemblyman--

ASSEMBLYMAN IMPREVEDUTO: I have a hard time to believe that.

MR. SMICK: I know, it is hard to believe. Just that increase of 1%, which is a 16-2/3% increase in one tax item-- It has just been the straw that broke the camel's back. I'm saying that we are in a recession, but actually, I have to tell you the real facts: From January until June 30, we were working hard, and we increased business every month. July 1, it just went downhill, and it has been going downhill ever since, just because of this.

Some of our people, not just in Salem County, but anywhere near the State of Delaware-- It is not just Salem. It's people in Gloucester and Cumberland Counties who are going across the river to buy not just building materials, but furniture and all the new items that are now taxable.

ASSEMBLYMAN IMPREVEDUTO: I don't disagree with what you're saying.

MR. SMICK: I know, but it is a shock.

ASSEMBLYMAN IMPREVEDUTO: What I am saying to you is, if I am going to spend \$100 and it is going to cost me \$6 -- at the 6% tax rate-- I am going to buy that \$100 TV set -- okay? -- and it is going to cost me \$106. Well, damn it, I would have to be pretty stupid not to go to Delaware to save the \$6. It's the same as saving the \$7. I mean, guys who were coming to your store and buying \$100 worth of lumber and paying \$106, are now saying, "Well, I am not going to that guy's store and paying \$107." It is going to cost you more to get to Delaware than that dollar it is going to cost you. So, you know, I just have a hard time with that.

MR. SMICK: Assemblyman, on a small \$100 purchase, you are right. It is the bigger items that they are now going across the river for. Even retired people with a \$20 bill are skipping the local diner and going across the bridge, paying \$1.50 round trip, but they are saving 7% on that \$20 bill. It's \$1.40. If they have coins, they are saving money, really.

ASSEMBLYMAN SALMON: Harry, may I just add one thing? I have to tell my esteemed colleague that what you are saying is right on target. Let me just tell you--

ASSEMBLYMAN IMPREVEDUTO: It just seems dumb.

ASSEMBLYMAN SALMON: I know it seems dumb, but let me just tell you: I am telling you that on the large ticket items, they are leaving here and they are going to Delaware. You are in a different situation, Tony.

ASSEMBLYMAN IMPREVEDUTO: But they had to be leaving at 6%, too.

ASSEMBLYMAN SALMON: But a lot--

ASSEMBLYMAN IMPREVEDUTO: If they were spending a million bucks--

ASSEMBLYMAN SALMON: --of it was emotionalized and became like the straw that broke the camel's back. I have to agree with that comment for this reason: You are here and in New York-- It is an altogether different situation. New York has a higher sales tax than New Jersey. We are across the river. From where we are right now, in an hour and 15 minutes, you can be there. From where Harry lives, he is there in, like, 10 minutes. He is across the river for the toll going across. Let's say he is buying a \$1000 item. That \$1000 item now, at 7%, is \$70.

ASSEMBLYMAN IMPREVEDUTO: But it was \$60 before, and--

ASSEMBLYMAN SALMON: Yeah, but \$70-- They may have been doing it before, but there is more of an emotional thing that goes with it. A \$3000 item is \$210. I am only telling

you what stores are telling me in Delaware that I go to talk to. Their business has increased as a result.

ASSEMBLYMAN MORAN: It reminds me of a story that Assemblyman Jack Collins told the day we debated this particular bill, but I won't go into that.

ASSEMBLYMAN SALMON: Okay. I'm sorry I interrupted you, Harry, but I wanted to say that you have to live here to understand the problem. I am going to have Tony come down and spend two weeks with me in the summer.

ASSEMBLYMAN MORAN: There you go, Tony.

ASSEMBLYMAN IMPREVEDUTO: I want to go to Delaware and save all that money. I don't want to go to your house.

MR. SMICK: One member of the Salem Rotary just sat at the Salem Country Club last Wednesday night -- where I am going to go in a few minutes -- and he lives outside of Bridgeton, a retired Bell Telephone person-- He said, "Harold, last Christmas, for the first time ever, I went to Delaware to do all my Christmas shopping. I saved \$100 -- a little over \$100. We tabbed everything when we got back that would be taxable, and we saved over \$100 on more than one trip." And that is what they are doing. So, my comment--

ASSEMBLYMAN MORAN: Well, we've got to do one of two things: We've got to pass a law to outlaw that, or we have to lower the tax.

ASSEMBLYMAN IMPREVEDUTO: To zero, because at 6%, you see, it is not going to do you any good.

MR. SMICK: Ray Zane, our Senator, does have S-2877 in the Senate to make Salem County a Urban Enterprise Zone area, but it would be difficult to declare the whole county. I realize that.

ASSEMBLYMAN SALMON: You may not know it, but three members were here from your county. Did you know that?

MR. SMICK: Yes, I met them on the way in.

ASSEMBLYMAN SALMON: Okay, good.

MR. SMICK: Just a couple of other comments here: The reaction of our taxpayers, really, is seriously hurting the small businesspeople -- not just in Salem County -- and it is deterring the future success of our business. Right now, we do have a building program on at our Smick Lumber site, spending perhaps \$400,000 as a last ditch effort to try to bring new business in. I know what we are already doing, even with that building program going on. We are looking for an area in the State of Delaware, just because of the tax situation.

So I am just putting a plea in that we do need your help. I want to thank you for coming down, but we need urgent help, and soon, if we are going to survive successfully in this part of southern New Jersey.

ASSEMBLYMAN IMPREVEDUTO: This is by way of being a sidelight: I serve on -- for the Eastern States Conference of Legislators -- an international task force with one of the Senators from Delaware. He told me that they just about came fairly close to doing either a sales tax or an income tax in Delaware this year, and he is damned sure it is going to happen next year.

MR. SMICK: That's good news. That is better news than I thought I was going to get here. Thank you.

ASSEMBLYMAN MORAN: That's good news, Tony, but we can't wait.

ASSEMBLYMAN IMPREVEDUTO: My feeling is -- and I will close with this-- You know, I said it to you guys before: I don't think 3-1/2% is going to help you. It has to be zero, the same as Delaware, or it is going to be where it's at.

ASSEMBLYMAN MORAN: Three-and-a-half will help.

ASSEMBLYMAN IMPREVEDUTO: I actually disagree with that. (two or three Assemblymen speaking at the same time; impossible to transcribe)

ASSEMBLYMAN SALMON: Thanks for coming over, Harry. We appreciate it very much.

MR. SMICK: Thank you, gentlemen.

ASSEMBLYMAN SALMON: Gordon Dahl? And, Melanie, you are going to get a special award for staying until last.

ASSEMBLYMAN MORAN: Yes, you get the Hoboken Award -- or, the Secaucus Award.

G O R D O N K. D A H L: Before I sit down, I will give you some information to mull over. (distributes packets of material)

ASSEMBLYMAN SALMON: Thanks. This is required reading for you guys, by the way. I am going to test you on it next week. Is the State paying for this stuff?

ASSEMBLYMAN MORAN: This is real classy looking stuff. Who pays for it?

MR. DAHL: Well, we will get into that in a second.

ASSEMBLYMAN SALMON: It certainly wasn't at taxpayers' expense.

ASSEMBLYMAN MORAN: Florio doesn't allow this kind of glossy stuff.

ASSEMBLYMAN SALMON: Of course not. It's old Kean stuff left over.

ASSEMBLYMAN MORAN: This is a Tom Kean leftover?

ASSEMBLYMAN SALMON: Don't take the abuse, Gordon.

MR. DAHL: No, that's all right. Assemblyman Salmon is going to have to stick up for me, because he is a former Chairman of our organization.

ASSEMBLYMAN SALMON: Of course, these were all done before I-- (laughter)

ASSEMBLYMAN MORAN: No wonder you don't have any money.

ASSEMBLYMAN VILLAPIANO: Hey, now I know where I am.

ASSEMBLYMAN SALMON: Gordon, you have to understand, this is three Republicans -- when Frank was here -- and three Democrats. We do get along very well together.

MR. DAHL: Oh, okay.

ASSEMBLYMAN SALMON: It doesn't always read that way.

ASSEMBLYMAN MORAN: And none of us are lawyers.

MR. DAHL: Oh, this is my lucky day.

ASSEMBLYMAN SALMON: Gordon is Executive Director of the South Jersey Economic Development District. It is the only Federal economic development district in the State of New Jersey. I give a lot of credit to Congressman Hughes and former Freeholder Director Chuck Fisher, who has since passed away, on working very hard to establish this district. This offers our businesses and industries a hand up on other competition. It has been really good. Gordon has been its first Executive Director and its only Executive Director. How many years now, Gordon?

MR. DAHL: Four years.

ASSEMBLYMAN SALMON: Okay, great. Thanks for coming, Gordon.

ASSEMBLYMAN MORAN: I know you have-- How many hours of hearings?

ASSEMBLYMAN SALMON: Say, it is a long day. They took care of Harry, and now they are going to take care of you.

ASSEMBLYMAN IMPREVEDUTO: I left my house this morning at a quarter after nine. I want to tell you that.

ASSEMBLYMAN MORAN: I left at 6:00 a.m.

ASSEMBLYMAN IMPREVEDUTO: Well, I was up at 5:30. Can you top that?

ASSEMBLYMAN MORAN: All right, okay, you win. Let's go.

ASSEMBLYMAN SALMON: Go ahead, Gordon.

MR. DAHL: Today, I want this more or less to be an informational session. The packets of information I presented to you today show some of the work that has gone into a regional economic development program in southern New Jersey. As Assemblyman Salmon said before, it has to do with a lot of Freeholders and a Congressman with plenty of insight 10 years ago to develop this district. It is the only one of its type

in the State. As you will see from those brochures, it has made a dramatic impact on the economy of southern New Jersey. As you drive through on your travels today, you will see industrial parks and ports, a produce auction, and the Mayor's industrial park, under construction at Gordon Road.

This program has been a very valuable program to southern New Jersey. It is an anomaly, but it shouldn't be. Regional economic development can work. The State appears to be moving into regionalization in a lot of areas, and economic development should be one of those areas.

One of the reasons I am coming before you today is, we want to open up a more wide-ranging dialogue and discussion with the State of New Jersey to assist our effort. We are not asking for anything other than a partnership. We have had some initial successes with partnerships on our projects with the State of New Jersey, and what we would like to do is continue that and open up some new doors.

As Mayor Parent can attest to, with the new industrial park, it was a joint venture between the Federal EDA, New Jersey EDA, and the City of Millville. That has been a very productive partnership in allowing a community that wouldn't necessarily have the local resources to come up with a local match -- which is required by the Federal government on these projects -- to come out with a valuable project that would create jobs and help industries.

So today my message is: Look to regional economic development. Look to help our communities bridge the local share gap in some of the projects that could materialize if the State and Federal governments and the local communities can work together in funding packages. We also work on a revolving loan fund for small businesses. As you heard from discussions today, small businesses defined in southern New Jersey are a lot different than the ones probably statewide. When you talk about small businesses in southern New Jersey, you are talking

about 10-, 20-, 30-person shops that are hard-working manufacturers, and owners who are right down on the production line running things on a day-to-day basis.

I'll leave you with this message: When it comes to providing, particularly in southern New Jersey, the necessary infrastructure to encourage and implement economic development, look to helping us bridge some of the financial gaps. Right now, the match for Federal EDA funding is: Federal EDA puts up up to 60% of the project costs, which leaves 40% for a local community to come up with. Although that does not sound like a lot, to a local community with a population the size of some of the communities in southern New Jersey, that is a substantial amount of money. By the State becoming a partner in some of those projects, we can make projects materialize that would not ordinarily happen.

We have an intergovernmental agreement between the four counties. Dick Squires from Atlantic County, Freeholder Sheets from Wildwood, Cumberland Freeholder John Reinard, and Ben Timberman, Freeholder from Salem County, all work together, along with the economic development directors, to forward regional economic development and make some of these valuable projects happen, which would not otherwise happen.

So that is my message for you today. I would be glad to answer any of your questions, particularly on some of the Federal resources other than the Federal EDA which have come to light, one of which is-- Because Mayor Parent -- I'm picking on him today-- (indiscernible response from Mayor Parent from audience) Oh, okay. No, I am not picking on you, but I am using you as a prime example of some of the things we can do when we work together. The Federal Foreign Trade Zone was one of the things we worked on with the Cities of Millville and Salem. We are trying to bring about all those programs that are going to encourage economic development across the region.

ASSEMBLYMAN SALMON: Thanks, Gordon. I appreciate it. Members of the Committee, if you have a chance to read through some of the literature, especially-- If you want just a generalization of what the Federal district does, "A Partnership for Progress" tells a lot of success stories. It is not often you see four counties work together. I think if you had tried something like this 20 years ago, it would not have occurred. But I think the counties realize that in unity there is a lot more strength than going one by one. It also enhanced us with additional Federal grants by it being a Federal district.

Gordon, thank you very much. We appreciate it.

Melanie is just very upset with me because it is not five of five.

MS. WILLOUGHBY: No, I could never be that way, Mr. Chairman.

ASSEMBLYMAN SALMON: If you want a half-an-hour, whatever you want, you've got it. Jeff will have to just sit here.

ASSEMBLYMAN MORAN: Yeah, Melanie.

MS. WILLOUGHBY: Don't worry, I will be very brief.

ASSEMBLYMAN MORAN: I know, you'll make it up to us.

ASSEMBLYMAN IMPREVEDUTO: We'll put you on first in Secaucus.

MS. WILLOUGHBY: Oh, thank you, thank you. I was counting on that deal. (laughter)

Mr. Chairman, I would like to introduce Tom Haaf who is here with me. He is the Vice-Chairman of the New Jersey Retail Merchants Association's Board of Directors. He is from Woodstown, and he is the owner of C & H Television and Appliance.

What I would like to do is sort of give you a brief overview of some of the areas that the Association would like to see you address. Then Tom will go into some specifics.

Since you have my statement in front of you, and having had the benefit of listening to all the other speakers, I have cut my eight pages down to a very few brief remarks.

ASSEMBLYMAN MORAN: Boy, I'll tell you, you're okay.

MS. WILLOUGHBY: Thanks. What I want to say first of all is, thank you very much for this opportunity. I think this is a tremendous opportunity for all of us to be able to talk about the things that are really impacting small business. The fact that you are traveling around the State to listen to all of the small businesspeople, retailers, and everyone on Main Street, I think is real critical.

I know that in outlining our four areas today-- I will not really repeat myself when I go around the State because I will have keyed on those four things here today. The first is the new 7% sales tax on advertising in the "Yellow Pages." The second thing I would like to touch on is small business needs in the health insurance reform area. Third is labor costs -- elimination of New Jersey's minimum wage step that is over the Federal requirement. And four, burdensome paperwork -- an administrative fee that would be remitted back to retailers for the collection of the sales tax.

First, on the 7% sales tax on advertising: This, as you know, is a new sales tax that was put directly on the "Yellow Pages." Who is it that this really impacts? It really impacts the small businesses. You don't see Union Carbide being advertised in the "Yellow Pages." You see all small businesses. What this has done is, it has really impacted them at a time when we are already in a recession. We would really like to see this repealed.

As I understand it from the Department of the Treasury, the \$20 million to \$25 million they anticipated was going to be raised by this is not coming close to the mark. I really think this is something that should be examined by the Committee, and hopefully repealed. I would liken this to

something similar to the truck tax. Certainly people are still advertising in the "Yellow Pages," but not at the level that they had been in the past. Especially with the 7% sales tax on it, it has really been something that has hurt small businesses.

ASSEMBLYMAN MORAN: You have convinced me, Melanie.

MS. WILLOUGHBY: Have I?

ASSEMBLYMAN MORAN: I'm glad I voted, "No." Now I know I was right.

ASSEMBLYMAN SALMON: Jeff is already putting a bill in, Melanie.

MS. WILLOUGHBY: Thank you, thank you.

ASSEMBLYMAN MORAN: And I know my colleagues to my left will cosponsor it with me.

ASSEMBLYMAN IMPREVEDUTO: With amendments.

ASSEMBLYMAN MORAN: Danny Jacobson said he would.

MS. WILLOUGHBY: As you can see, I did not talk about the whole package. I keyed in on one thing that was really detrimental that we felt was something that really had an impact on small business specifically. I wanted to bring that to your attention.

The next thing is minimum wage. As you know, as of April 1, 1991, the minimum wage will go to the final Federal step. It will go to \$4.25. New Jersey passed a law last year which would take us another step. It would take us to \$5.05 -- 80 cents over the Federal minimum. We said that was detrimental at the time. We continue to feel that that is detrimental, and I would like you to reexamine it. That is what I am asking. We feel that with the downturn in the economy, we do not have a labor shortage any longer. We have a lot of people who are in the marketplace looking for jobs. The retail industry has always been an industry that has had opportunities for entry level people, and for people looking for part-time work. You make it more difficult for us when we are talking about trying to be competitive, and when we have to

pay now 80 cents more, you know, per person, for an entry level employee.

That makes it very difficult. So I am asking the Committee to recommend that you revisit that step, and try to roll back the minimum wage below the \$5.05 -- back to the Federal level of \$4.25 an hour. We feel that would make a lot of sense, certainly, in this economy.

Small business health insurance reforms: I know a lot of you have heard, and certainly read, many of the things that I have said about this issue. But I can't emphasize it enough, because of the fact that small businesses really are rocked by premium increases, and they have been tremendous. They are rocked more than large business is rocked, because large business has the ability to spread the risk among many employees. Small business does not have the ability to negotiate a premium, as large business does. Small businesses also do not have the ability to self-insure and to eliminate a lot of the very costly State mandates that are imposed upon health insurance premiums. Large businesses in self-insuring can get out of those mandates. Small businesses can't. They are all included in their premiums at a very high cost.

That is why we are very supportive of a bare-bones policy. I know this is a concept you have heard a lot about and it has been embodied, certainly, in Senator Codey's bill, and also now in Assembly Bill No. 4282, which is over in the Assembly. We are very much supportive of a bare-bones policy that eliminates the State mandates. We feel we could probably get a policy down to about \$1500 -- get it out there, and you would probably be able to sell it to small business to be able to cover catastrophic and certain preventive care measures.

I think that would really go a long way toward helping small business get into the marketplace. As you know, with small business it is always affordability and accessibility. Someone else said that here today. Accessibility because of

the fact that small businesses do not have the ability to spread the risk. That is why we feel there should be reforms in the underwriting of health insurance. I could go through all of the technical terms, but that is already embodied in my written testimony -- about all the things we would like to do with preexisting illnesses and with health insurance premiums and the compression of rates and the whole slew of things that are all embodied already in Assembly Bill No. 4301, which is Tommy Deverin's bill, and which we have firmly endorsed.

We are also very hopeful about all of the very positive press that the Assembly leadership and the Senate leadership have been receiving over the past couple of days about the compromise that has been reached on moving forward on a health insurance package, and on moving forward on continuing uncompensated care, on health insurance reforms, and on a bare-bones policy. We are firmly behind that. We think reforms are the way to go and, of course, I would be remiss if I did not say we continue to be opposed to the payroll tax.

Now, on the last item, which is the administrative fee, right now, of the 45 states that have a sales tax, 24 of them allow retailers to be remitted back to them an administrative fee for collection of the sales tax. I realize we have a budget crunch. I understand that. All I am saying is that I would like to get this into your consciousness, so you will start thinking about the fact that when a retailer collects a sales tax, there is a cost to them to do that. It is not something they do that doesn't cost them. They do it for free, but essentially it costs them money to do it for the State.

So what we are saying is, 24 states have recognized this cost, and even the administrative fee they provide to the retailer does not, in any way, equal the amount that it costs them. What we would like you to examine is how we might be able, in the long term, to examine how we can provide an

administrative fee back to the retailer. It would go a long way toward collecting more sales tax.

ASSEMBLYMAN SALMON: A question on that.

MS. WILLOUGHBY: Yes?

ASSEMBLYMAN SALMON: How many states do that now?

MS. WILLOUGHBY: Twenty-four.

ASSEMBLYMAN SALMON: Twenty-four of them do have a provision that gives back to companies and businesses--

MS. WILLOUGHBY: Correct. It runs the gamut--

ASSEMBLYMAN SALMON: Is it on a percentage basis of what you collect?

MS. WILLOUGHBY: Yes. It runs the gamut from 3% to 1%. In our vicinity in the northeast, Pennsylvania has a remittance fee. It is called a remittance fee, a collection allowance, an administrative fee, a discount. It is called a number of things, depending on the state. Virginia has--

ASSEMBLYMAN SALMON: May I tell Tony something? Delaware doesn't have that. (laughter)

MS. WILLOUGHBY: They don't have a sales tax.

ASSEMBLYMAN IMPREVEDUTO: Well, actually -- let's go back to that for a second -- you know, we are talking about border states. As you border Delaware, I border New York. You know, I can go into New York City and buy anything--

MS. WILLOUGHBY: Right.

ASSEMBLYMAN IMPREVEDUTO: --and have it shipped to my town.

MS. WILLOUGHBY: Right, and you won't get charged a sales tax.

ASSEMBLYMAN IMPREVEDUTO: No.

MS. WILLOUGHBY: That is correct, but you are supposed to claim that on your income tax.

ASSEMBLYMAN IMPREVEDUTO: So are you if you go to Delaware and buy it. It is a use tax.

MS. WILLOUGHBY: That is correct. Oh, I know that, but that is also why Woodbridge and Secaucus are so popular with people in New York, because they are able to come across because we don't charge sales tax on clothes.

ASSEMBLYMAN IMPREVEDUTO: Right.

ASSEMBLYMAN SALMON: They all come across, buy the clothes here--

ASSEMBLYMAN IMPREVEDUTO: By the bridge.

ASSEMBLYMAN SALMON: --and they go over there and buy something and ship it over.

ASSEMBLYMAN IMPREVEDUTO: Right.

ASSEMBLYMAN SALMON: There is always a way around the system, right?

ASSEMBLYMAN IMPREVEDUTO: Everybody beats somebody.

MS. WILLOUGHBY: There is always a way around the system. We are just trying to close a few of the loopholes.

ASSEMBLYMAN SALMON: That's a good point, though. That is an interesting point. I didn't know that. That had never been discussed with me before.

MS. WILLOUGHBY: Well, this was my opportunity.

ASSEMBLYMAN SALMON: Have you ever heard that concept, Chris?

ASSEMBLYMAN CONNORS: Yes.

ASSEMBLYMAN SALMON: Have you? Okay.

ASSEMBLYMAN MORAN: It's a good idea. It sounds like an Art Albohn bill.

MS. WILLOUGHBY: Actually, I have to confess, the bill was introduced, at one point in time, and guess who it was? It was Senator Wayne Dumont.

ASSEMBLYMAN MORAN: Well, hey, close.

ASSEMBLYMAN IMPREVEDUTO: That's an Art Albohn--

ASSEMBLYMAN MORAN: An Art Albohn.

ASSEMBLYMAN IMPREVEDUTO: --in disguise.

MS. WILLOUGHBY: It was Senator Wayne Dumont.

ASSEMBLYMAN MORAN: Talk to Arthur. He would be more than happy to--

MS. WILLOUGHBY: We would like to see this be a bipartisan effort.

ASSEMBLYMAN IMPREVEDUTO: Assemblyman Connors, you've got it.

MS. WILLOUGHBY: That would be just great. I do appreciate it.

Now, just as some local concepts, I would like to have Tom say a few things.

T H O M A S H A A F: Thank you.

ASSEMBLYMAN SALMON: Didn't you have a place in Millville once?

MR. HAAF: Yes. It is still in operation, but I sold the operation to other individuals.

ASSEMBLYMAN SALMON: I bought a TV from you and I paid my sales tax.

ASSEMBLYMAN IMPREVEDUTO: I would have gone to Delaware.

ASSEMBLYMAN SALMON: Right on Main Street, right, Tom?

MR. HAAF: West Main, right. But the question arises, would you buy it today there?

ASSEMBLYMAN IMPREVEDUTO: It depends on your service. Is it any good?

MR. HAAF: Excellent.

ASSEMBLYMAN IMPREVEDUTO: Then I would buy it from you.

ASSEMBLYMAN SALMON: No, he's right. The question is that. Many people, on TVs, are going to Delaware.

MR. HAAF: That used to be the case. I am getting away from where I was going to start, because I really wanted to address the sales tax issue. Today, it is not so much the case, because people are more in a throwaway society. They do not consider, especially on televisions, the service, as they do on their home appliances. Now, on home appliances, I will

admit to you, it has a greater effect. On televisions it has zero effect today. It's zero, and on VCRs, too.

ASSEMBLYMAN SALMON: I agree.

MR. HAAF: But I don't want to keep you here long. You have already been here for a long time. We have all experienced different things.

ASSEMBLYMAN SALMON: You've been here for a long time, too, and we appreciate, Tom, your staying around.

MR. HAAF: I have come here on behalf of retailers, and I would like to ask any of you gentlemen if you would be interested in investing your personal money in a retail business in New Jersey today, especially in South Jersey? I think Jeff is correct; I don't think you would. I know in my business, which is the appliance/television business, it takes a tremendous amount of capital. Unless an individual has that money to begin with, he could not start the business as I did in '65. Okay? It could not be done today. There is no way an individual could do it with the profit margins we are working on. That is one aspect. The sales tax is the other aspect.

With retail suffering more than it ever has before, especially here in southern New Jersey, the impact has been -- not only the impact of the tax package, which has even made bankers leery of investing in businesses, both new and old-- The retail sales of all of us have been impacted tremendously.

Assemblyman Connors earlier mentioned the regulations of the Administrative Code and the tremendous amount of legislation. I only say to you that just as government has its checks and balances, business does, too. The way business works in this country is through equal, free, and independent competition. The free enterprise system is the only thing that can help retailers to survive. In southern New Jersey -- and I just pointed this out to begin with -- we do not have a free enterprise system when we are working against -- and I hate to mention this in the City of Millville -- the 3-1/2% sales tax, or a 0% sales tax. There is no equal competition here.

I don't know if any of you are in retail, but profit margins are not in those numbers. You cannot absorb that. We can be the most competitive business in the world, but we can't be 7% below our competitors, especially in the television/appliance business. It is not possible.

Better government, I believe sometimes, is less government, and I think that many constituents would agree with that. More regulation does not create better regulation. So I was happy to hear that at least some of you believe there are many laws that should be taken off the books.

In my business specifically, there are a couple of bills that I want to address. Assembly Bill No. 3803 refers to appliance delivery, and it states that under this bill the regulations would legislate that an appliance operation, when delivering a new television or refrigerator, must remove the cardboard, the materials, and the old appliance. You asked me earlier if I am a service-oriented business, or if I provide good service. I provide those things. We provide them, and that is one of our competitive edges.

Now, mandating them does not help me in any way. It only hurts me because you don't regulate those businesses that are my competition. I'll tell you right now, I am one of two appliance businesses in the Salem County area -- in the whole entire area. Okay? The rest have all gone out of business. The other one is only doing televisions and television repair. They no longer do appliances. It is because my competition is Delaware. All right? People say, "Oh, you have no competition there," but that is not true. It is all in Delaware. My biggest problem is, the rules are not equal, gentlemen. They do not have the same rules that I have. My customers don't care. They don't mind going across the bridge and picking up their appliance, or having it delivered, because the majority -- and I stress this, and it is true in New Jersey, too -- of major appliance retailers do not even deliver their own

appliances. They are delivered by delivery services. I don't believe, and I don't know how you would regulate those delivery services with a bill like this.

ASSEMBLYMAN SALMON: Who is the sponsor of that bill, Melanie?

MS. WILLOUGHBY: Barbara Kalik.

ASSEMBLYMAN SALMON: That has never been out of Committee, though.

ASSEMBLYMAN IMPREVEDUTO: What was that number?

ASSEMBLYMAN SALMON: Assembly Bill No. 3803.

MS. WILLOUGHBY: It came out of Committee on Monday.

ASSEMBLYMAN SALMON: It came out of Committee on Monday?

MS. WILLOUGHBY: Yes -- Assembly Bill No. 3803.

ASSEMBLYMAN VILLAPIANO: Whose Committee?

MS. WILLOUGHBY: Harry McEnroe's Committee.

ASSEMBLYMAN VILLAPIANO: Oh, that's right.

MR. HAAF: In addition, it mandates that we take the scrap appliances to recyclers.

ASSEMBLYMAN SALMON: And that also is a fee to you, right?

MR. HAAF: Yes, sir.

ASSEMBLYMAN SALMON: If you take that to a solid waste facility, what is the cost to you?

MR. HAAF: To the solid waste facility in Salem County, we are very fortunate. We only pay \$5 per piece.

ASSEMBLYMAN IMPREVEDUTO: Not on a refrigerator?

MR. HAAF: Yes.

ASSEMBLYMAN IMPREVEDUTO: Even with the--

MS. WILLOUGHBY: Capacitor?

MR. HAAF: Yes.

ASSEMBLYMAN IMPREVEDUTO: But that is in Salem County. It could be different in other counties.

MR. HAAF: That's in Salem County.

MS. WILLOUGHBY: It would be different in Hudson.

MR. HAAF: In Cumberland County they charge \$10 apiece -- okay? -- a neighboring county.

ASSEMBLYMAN SALMON: So you have to give them that \$10. See, one of the things that has happened-- I think I had the toughest job in government when I had to locate the landfill in Cumberland County. That is how to make lots of friends real quick. But, one of the things that has occurred is, there is such a cost now to waste disposal, that if you go out in rural Cumberland County or rural Salem County, you will see trash everywhere--

MR. HAAF: Correct.

ASSEMBLYMAN SALMON: --because people basically cannot afford it. So what they do is a kind of out of sight, out of mind--

MR. HAAF: But it is not limited to the refrigerator.. It is not limited to the washing machine. I'm saying that by targeting an individual like this -- and I don't want you to regulate others-- But what about the plumber and the water heater?

ASSEMBLYMAN SALMON: Sure.

MR. HAAF: By targeting a company, or a business such as this, you are giving it one more area of competition that it cannot meet.

ASSEMBLYMAN IMPREVEDUTO: You're absolutely right.

MR. HAAF: Because, again, a lot of it is our proximity to Delaware. But the consumer has the opportunity, because most consumers do want to get rid of those old appliances. So they have the opportunity to choose a retailer who is going to do that service for them. Give them a reason. Let them use the free enterprise system. That is all I ask on that bill.

Assembly Bill No. 3517, which is the four-hour delivery bill is, again, addressing appliance retailers.

ASSEMBLYMAN IMPREVEDUTO: I think that one has some good sponsors, doesn't it?

MR. HAAF: Yes.

ASSEMBLYMAN SALMON: Is that Tony? Tony, are you the sponsor of that?

ASSEMBLYMAN IMPREVEDUTO: Gee, that sounds familiar. Let's see if he understands the bill.

MS. WILLOUGHBY: The cosponsor.

ASSEMBLYMAN SALMON: You're the cosponsor. Who is the sponsor of that bill?

ASSEMBLYMAN IMPREVEDUTO: Jimmy Zangari.

ASSEMBLYMAN MORAN: Zangari?

ASSEMBLYMAN SALMON: What does the bill say exactly, Tom?

ASSEMBLYMAN MORAN: The Zangari/Impreveduto bill again?

ASSEMBLYMAN IMPREVEDUTO: Another one of those suckers.

MR. HAAF: Essentially it says you have to give the consumer a four-hour time span, just to sum it up.

ASSEMBLYMAN IMPREVEDUTO: Now, wait a minute. Let's see if you really understand it. Go ahead. You don't understand the bill.

MR. HAAF: That is my understanding of the bill, that it gives a four-hour time span. You tell them that you will deliver within those four hours. If you do not, then you--

ASSEMBLYMAN IMPREVEDUTO: What you have to do-- If you find that you can't deliver that within that four-hour time line, you need to call the consumer and say you cannot make the delivery and that you will reschedule again. All it requires is a phone call by you.

MR. HAAF: It is my understanding -- and I do not profess to be a lawyer -- when I read the bill--

ASSEMBLYMAN IMPREVEDUTO: It's my bill. It's been amended.

MR. HAAF: Okay, but when I read the bill it reads that the consumer still has the opportunity for--

ASSEMBLYMAN IMPREVEDUTO: As long as you make the phone call within that four-hour time period, then, in fact, you are off the hook.

MS. WILLOUGHBY: The consumer always has the right, Tony, to cancel the order for any reason within a certain period of time by rules and regulations already--

ASSEMBLYMAN IMPREVEDUTO: No, no, I'm talking about delivery, strictly delivery. We discussed this with the furniture people just last week.

MS. WILLOUGHBY: Right.

ASSEMBLYMAN IMPREVEDUTO: If you are going to make a delivery-- If you tell someone, "I am going to be at your place between 8:00 and 12:00," and that person takes off from work between 8:00 and 12:00, and for some reason you don't get there and you don't let that person know that, then you should be held responsible for that. All it is requiring you to do is, if you can't make that delivery in that four hours, call the consumer. It even goes beyond that. If you can't reach the consumer, you have to make the attempt to call her. Call her mother, call somebody. "I tried to get you, but I couldn't get you because you weren't home." Then you are off the hook.

ASSEMBLYMAN MORAN: Does that apply to the doctor when I go to the doctor's office?

ASSEMBLYMAN IMPREVEDUTO: Sure.

MR. HAAF: No, it does not.

ASSEMBLYMAN IMPREVEDUTO: I was only teasing. It is an in-home delivery.

MR. HAAF: And it doesn't apply to plumbers.

ASSEMBLYMAN IMPREVEDUTO: It is an in-home delivery.

ASSEMBLYMAN MORAN: Well, no, plumbers-- We have family who are plumbers--

ASSEMBLYMAN IMPREVEDUTO: Electricians, too. But basically it is for in-home delivery in most cases. The furniture people had the same impression until we showed them the bill and the amendments to the bill. In fact--

MS. WILLOUGHBY: The phone call was always in the bill. The phone call was always a part of the bill, and the four-hour delivery.

ASSEMBLYMAN IMPREVEDUTO: Do you think that is too much, asking someone to call the consumer -- your customer?

MR. HAAF: Absolutely not, and we do it now.

ASSEMBLYMAN SALMON: That is not his point. Tom's point is, he does those things and that gives him the competitive edge in the free enterprise system. What you are trying to do is to so overregulate the free enterprise system, that it takes away that edge. Am I reading you correctly, or not?

ASSEMBLYMAN IMPREVEDUTO: I'm sorry. I misunderstood what you were saying.

MR. HAAF: That's right, because you know how the consumer is today. Okay? Consumers buy, and want, and demand everything. As long as we can provide most of that, that is when we have the opportunity to do business. If we cannot provide it, then, you know, we do not do business, and we shouldn't do business. Again, I say to this bill, it does not regulate the use delivery services or those appliance stores out of Delaware. That is my competition. That is the competition of the furniture stores in South Jersey and the garden home centers that are selling zero tractors anymore to homeowners. You know, it is the big ticket items, but what is happening now is, people are developing, and have developed in the last six months, believe it or not, a pattern of shopping.

ASSEMBLYMAN IMPREVEDUTO: Oh, I don't disagree with that.

MR. HAAF: Okay. So it is not just that we don't sell the television or the refrigerator. They don't come in to buy the battery, or anything else.

ASSEMBLYMAN SALMON: It might not have been done on reason as much as emotion, and then the pattern gets started.

ASSEMBLYMAN IMPREVEDUTO: My personal feeling--

MR. HAAF: What you said earlier, Assemblyman Salmon, was completely correct, in that our business, believe it or not, up until June 1, was ahead of the year before. The first two weeks in June were not tremendous. The last two weeks in June, I would be the first to tell you, we had a tremendous amount of sales, an increase of approximately 24% over that same time period a year ago. That was in preparation, because people were psyched up about it. And it is not the 1%. It is that now they know again, as they knew in 1968-- I believe that was the date. In the beginning there, the same thing happened then. You know, they knew they had to pay a sales tax. Now they are reminded that--

ASSEMBLYMAN IMPREVEDUTO: Did you see the same problem when it went from 5% to 6%?

MR. HAAF: No, we didn't. We saw it when it went from zero to 3%, and we saw it--

ASSEMBLYMAN MORAN: It was the manner in which it was done, I think. (laughter)

MR. HAAF: There was a lot of press. That may have had some impact on the whole thing.

ASSEMBLYMAN SALMON: See, it is not reality that counts, it's perception.

MR. HAAF: That's right. I was optimistic--

ASSEMBLYMAN MORAN: What was it, \$2.8 billion, or something?

ASSEMBLYMAN SALMON: That was the perception.

ASSEMBLYMAN MORAN: That was smoke and mirrors.

MR. HAAF: I was optimistic that after six months it was going to change.

ASSEMBLYMAN MORAN: So were they.

MR. HAAF: And it has not. Part of it is because of the economic climate.

ASSEMBLYMAN SALMON: Yeah, the recession came in and-- I agree.

MR. HAAF: I will skip some of the things that nobody talked about, but on the sales tax, you know-- It is a combination of all of the things we talked about. The use tax-- I have begged, I have written, and I have pleaded with the Division of Taxation that if they have a use tax, then why don't they enforce it? If they can't enforce it-- I am not pointing to you, but do you pay the use tax when you buy in New York?

ASSEMBLYMAN IMPREVEDUTO: No, absolutely not. You are absolutely right.

MR. HAAF: I run to Delaware myself. I will be the first to admit that I don't pay it. What is even worse is, the retailers in Delaware who are delivering, either through a delivery service or themselves, who are legally, by New Jersey law, as I understand it, supposed to collect the tax, do not, and it is not enforced.

ASSEMBLYMAN IMPREVEDUTO: That is part of the thing we are looking at now. We will be looking at new legislation. In fact, I would like to meet with you a little later on. We are looking to do legislation particularly to handle those haulers who are bringing, particularly furniture, in this case, up from the Carolinas into New Jersey.

ASSEMBLYMAN SALMON: You could tie in his problem

ASSEMBLYMAN IMPREVEDUTO: Absolutely, 100%.

ASSEMBLYMAN SALMON: Because they are laughing at us in Delaware.

ASSEMBLYMAN IMPREVEDUTO: Not only that. In addition to that, those guys you see sitting alongside the road, or some abandoned gas station on the highway, with a tractor-trailer with the furniture outside, and possibly TV sets -- I mean, I don't know that -- but they are, in fact, charging the sales tax, but are not, in fact, paying it.

MR. HAAF: Some of them -- you're right -- are charging the sales tax.

MS. WILLOUGHBY: I am really glad to hear that, because the New Jersey Furnishings Association is one of our members, and we have been working with them on that.

ASSEMBLYMAN IMPREVEDUTO: I just met with them on Thursday.

MS. WILLOUGHBY: I know. They said it was a very good meeting.

ASSEMBLYMAN SALMON: Melanie and Tom, it might be really good -- if Tony is willing to do this--

ASSEMBLYMAN IMPREVEDUTO: Absolutely.

ASSEMBLYMAN SALMON: --as he is looking at this situation with the furniture issue in North Carolina, and South Carolina, that we look at the Delaware situation. It is very unique, and a very serious situation for Harry, for yourself. I feel for the people who live in Salem. We get hit here in Cumberland, but not like you get hit. I mean, you are one step, and you're there.

MR. HAAF: Right, because with you it does take 45 minutes, for most people.

ASSEMBLYMAN SALMON: That's right, and people think twice about that. But they won't think twice for you.

MR. HAAF: For the little things, they won't bother. But for the appliances, they are leaving from Cumberland also -- and furniture.

ASSEMBLYMAN SALMON: I'll give you an example: If you want to go someplace and find this out, you go to Silo in

Wilmington. Go through their sales slips for the time period since the 7% went in. They will tell you that the increase in sales to New Jerseyans is out of sight.

ASSEMBLYMAN IMPREVEDUTO: Yes, but see, my argument is--

ASSEMBLYMAN SALMON: So you have to tie up that loophole, is what he is saying. If you could tie that loophole and put them all on an even basis-- If they were paying 7% there--

ASSEMBLYMAN IMPREVEDUTO: Either you go to zero, or you stay where you are, because it is not going to change.

MR. HAAF: There is a lot of truth in that. See, it raises my blood pressure even more because I do all the consumer work for Whirlpool Corporation in the multistate area. So I see all these consumers. I have to repair their appliances or, in a lot of cases, replace them. I see where they come from.

I did an unofficial survey -- and this can't go on the record, obviously -- in December, when I had very little business and not much to do. I went to a place called the Christiana Mall. I spent a little bit over an hour and 45 minutes. I did about half of the parking lot only. I counted up the cars. I was a little disappointed, honestly, because only 39% of them were from New Jersey. I thought it would be more. But you have to remember--

ASSEMBLYMAN SALMON: That is pretty high, though.

MR. HAAF: --there are a lot more people in Delaware than there are in South Jersey.

ASSEMBLYMAN SALMON: There are a little over 500,000 people in Delaware.

MR. HAAF: That was appalling, honestly. I am being facetious, because I didn't think it would be that high.

ASSEMBLYMAN SALMON: But if we can close up that loophole with what Tony is working on, I think that would have

a very positive economic effect. One of the things you could find out, if you could close that loophole-- If, all of a sudden, you could somehow hold the Delaware people responsible who are actually delivering-- Once they come in--

ASSEMBLYMAN IMPREVEDUTO: There is a way to do it. There is definitely a way to do it.

MR. HAAF: It would help my business. I am not sure it would help all of South Jersey businesses.

ASSEMBLYMAN IMPREVEDUTO: Let me tell you: If you are over at Silo and you are buying a TV set for \$1500, and a person says, "Well, I have to add the 7% because it is a State law. Otherwise, I can get fined here. It is a New Jersey State law." And the customer says, "Wait a minute. I think I will go home and I will buy it at Silo closer, where I can have closer service and better--" Or, "I will go to C & H."

MR. HAAF: Except you know in this area they also say, "Well, we will put it in the back of our pickup truck."

ASSEMBLYMAN IMPREVEDUTO: You are never going to stop the person going over to Delaware and buying his own thing and bringing it-- You are not going to stop that.

MR. HAAF: Absolutely. We have always had this situation, but it has just been increased.

I want to close by saying that the attitude that you gentlemen presented here today has been very pro business. I think that is great. But we need to show action, not just from the Legislature, but, you know, from -- if I may use the word -- from the bureaucrats and the bureaucratic system.

There have been many things said here today about DEP, but consumer protection, many times, is just as ridiculous. I will just quickly say to you, two years ago when I was inspected, and I come under the furniture, appliance, whatever the law is exactly -- I forget -- which says we have to have things tagged-- Basically that is one of the things. The gentleman inspected my store and out of every appliance and TV

on the whole premises, he found two televisions that my men had just put on the floor, and they did not have price tags on them.

ASSEMBLYMAN IMPREVEDUTO: And he hung you for those two.

MR. HAAF: Yes. I was fined \$50 each, which was only \$100, granted, but can any of you tell me that that makes sense?

ASSEMBLYMAN MORAN: But do you know what? When he makes out his monthly report, he doesn't make out a monthly report that he inspected--

ASSEMBLYMAN CONNORS: You should have told him they were not for sale.

ASSEMBLYMAN MORAN: --27 shops. He has to report how much money he took in in fines. That is why the ABC guys are out in the street.

MR. HAAF: Okay. You answered my question.

ASSEMBLYMAN MORAN: With that, I am going to say good-bye, and thanks again.

MR. HAAF: I want to say one last thing: I recently read about the consumer protection agency which filed suit, as I understood it, against the Good Hands people. That slogan has been in existence for some years, for as long as I can remember. I was happy to hear that it was thrown out just recently, when they found out that the New Jersey Consumer Board felt that was deceiving advertising. The court did throw it out. But I ask all of you, because it is another major company in New Jersey, what happens with M&Ms when they say, "It melts in your mouth and not in your hands?" It will melt in a glass of water, so are they going to be next?

You know, there is a point of ridiculousness. I think that is what we need to--

ASSEMBLYMAN SALMON: Thank you, Tom, very much.

MR. HAAF: Thank you.

MS. WILLOUGHBY: Thank you. We appreciate it.

ASSEMBLYMAN SALMON: Melanie, thank you. And, Mayor,
thank you for having us.

(HEARING CONCLUDED)

APPENDIX

**March 20, 1991
Millville New Jersey
Joint Public Hearing
The Assembly Economic Growth, Agriculture, Tourism and Coastal Protection
Committee
The Assembly Commerce and Regulated Professions Committee**

Jay Levenson, President, Simulation Systems Technologies, inc., Mt. Laurel, NJ

Having founded a new business in 1987, I am keenly aware of the myriad of problems which small business must overcome in order to survive and to grow.

The products and/or services which form the basis of a business, and the business entity form are controlled by the founders of that business. The technical aspects of producing the products and/or services are controlled by the management of the business. There are however, many factors over which the small business has little influence, let alone control. I am here to highlight those which I feel are most pertinent; those that need to be addressed in this state of New Jersey if it is to retain current small business and see future growth in the number of small businesses; growth that adds new jobs and additional tax base.

My personal experience leads me to conclude that the business atmosphere necessary for the survival of new high technology companies in New Jersey needs to be improved in several ways.

1) - High technology centers need to be established near major population centers. These centers would provide a sheltered environment for startups in which access to advanced technologies, basic business services and facilities would be made available at a reasonable cost. New companies would share common resources such as office space, telephone systems, clerical support, office machines, etc. which would otherwise be out of reach due to their high cost. At the same time, if these centers were near or co-located with state and/or community colleges, the new company would have access to the knowledge base of the instructional staff and access to a ready and willing labor source; the student body. I believe that this would be a mutually beneficial arrangement. At some predefined point in the evolution of the new company they would have to leave the nest and make room for another startup.

The cost for this need not be exorbitant. The plethora of empty office space and the leverage of the State should combine to create a low cost facility solution. The balance should be on a pay-as-you-go basis with the cost borne by the new businesses in the center.

2) - The availability of capital financing for new, high technology service firms is currently a matter negotiated between the principals of a new business and local financial institutions. The State of New Jersey offers assistance through a variety of programs to small manufacturers and retailers, but does not, to my knowledge have any programs for small high technology service firms. Unless the owners have significant collective net worth, funds are either not readily available or are available at high rates. New high technology service businesses frequently face the prospect of running out of cash just as they begin to achieve some success. While those that fail due to incompetence deserve to do so, those that have demonstrated good management deserve the opportunity to succeed. It is not right to see embryonic companies paying 1 1/2% or more above the prime rate while just getting established. Funding (loans) should be made available from the state for small high technology service firms in a manner similar to those currently made available to manufacturers and retailers.

3) - The cost of health insurance is disproportionately high, when available, for small firms. The burden of this one item can be responsible for 20 to 25% or more of the non-labor cost of a small service firm. In order to control this cost, a state wide pool of small businesses which desire to provide this benefit to their employees needs to be established. In this age of mandated benefits

**March 20, 1991
Millville New Jersey
Joint Public Hearing
The Assembly Economic Growth, Agriculture, Tourism and Coastal Protection
Committee
The Assembly Commerce and Regulated Professions Committee**

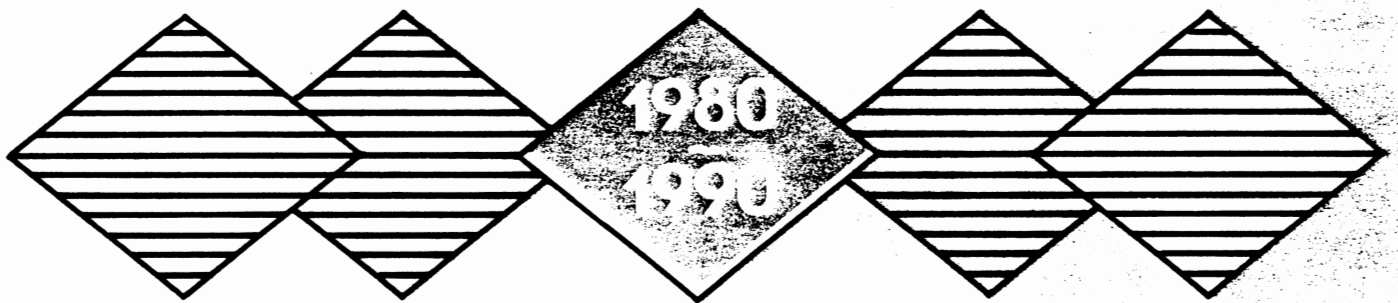
Jay Levenson, President, Simulation Systems Technologies, inc., Mt. Laurel, NJ

something must be done to provide insurance cost relief to the small business or they will cease to exist in this state.

4) - Large corporations are given numerous tax incentives to locate in this state. While these few giants do add to the employment and growth of the region, it is the large number of new and growing small businesses which provide the real growth in the State of New Jersey. The State of New Jersey does not currently even recognize the S corporation for tax purposes. This indicates a lack of interest in the only real growth the State has. This state must recognize and assist the small business with relief from state taxation for some period of time after a new business starts or until some specific level of profit is achieved.

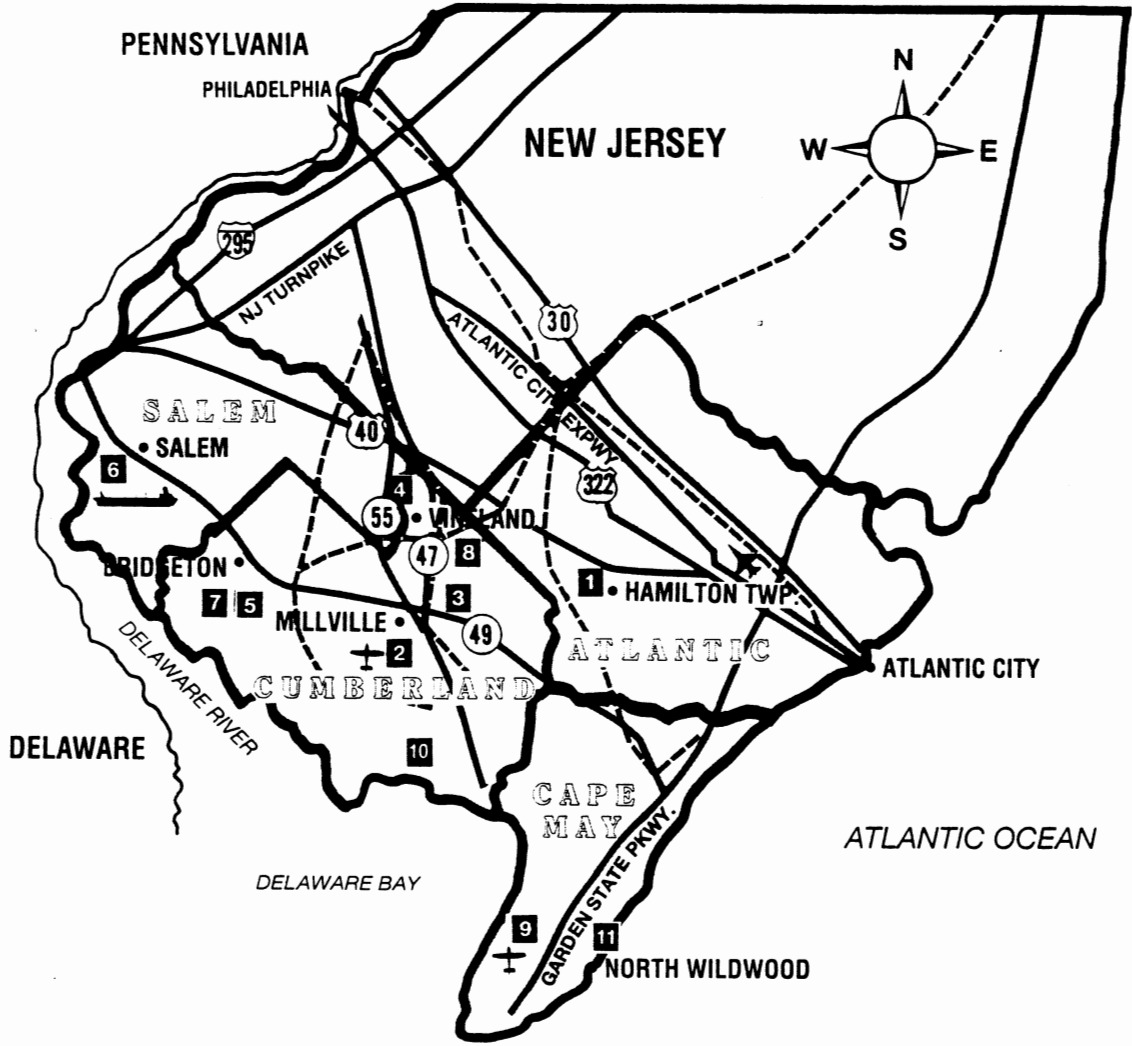
5) - With the recent State tax increases amounting to an average of \$1000 for every resident of this state, employees are looking to the only offset to this cost of living burden; the salaries their employers pay them. While the large employer can afford to lose a few employees here and there, and may promote this in this time of corporate downsizing, the small high technology service employer cannot afford to lose even a single of these valuable resources because of the inability to meet salary requirements. Compounding this issue, the new school aid formula effects those communities in which most high skilled employees reside. This employer has little choice but to raise pay to offset the tax burden. This puts the small New Jersey employer at an extreme disadvantage when competing with out of state companies. This is especially true for firms competing for US Government business.

While everyone recognizes the need for fiscal solvency, there are two sides of the budget issue to change. Some revenue increases are indeed necessary, but like the rest of us, the State must recognize that belt tightening in hard times is the most effective means of staying within its means. The increase in personal income taxes, sales taxes and resultant real estate taxes must be reconsidered and revived downward or small business will no longer consider New Jersey a reasonable place to start.



3x

A TEN YEAR RETROSPECTIVE



SJEDD PROJECTS	
1	Hamilton Township Industrial Park
2	Millville Airport Industrial Park
3	Gorton Road Industrial Park
4	Vineland Industrial Park
5	Bridgeton Industrial Park
6	Salem Port
7	City of Bridgeton Municipal Port
8	Vineland Produce Auction
9	Cape May Seafood
10	Rutgers University Marine Research Laboratory
11	North Wildwood Boardwalk

 Major Highway
  Railways



A PARTNERSHIP FOR PROGRESS

The South Jersey Economic Development District has been working cooperatively with its member counties of Atlantic, Cape May, Cumberland, and Salem and their respective municipalities for over ten years. This PARTNERSHIP FOR PROGRESS has achieved many regional goals, as well as improving the local economies of many towns throughout southern New Jersey.

With the assistance of the Federal Economic Development Administration (EDA), the region has mobilized its resources to enhance its economic climate. By working together and establishing priorities, viable economic development projects, such as industrial parks, ports, fishing and agricultural facilities, tourist attractions and financial incentive programs have been brought to fruition. This has led to a well balanced, vibrant economy here in southern New Jersey.

We look forward to working together in the future as we meet the challenges of the 1990's.

Sincerely,

Executive Committee

EXECUTIVE BOARD

Herbert C. Frederick, Chairman
(Freeholder Director, Cape May County)
Richard E. Squires, Vice-Chairman
(County Executive, Atlantic County)

Benjamin Timberman, Treasurer
(Freeholder, Salem County)
John R. Reinard, Secretary
(Freeholder, Cumberland County)

South Jersey Economic Development District
City of Vineland Municipal Building
7th and Wood Streets
Vineland, New Jersey 08360
(609) 794-8497
Gordon K. Dahl, Executive Director

William J. Hughes, Congressman
2nd Congressional District, New Jersey

Bill Bradley
U.S. Senator, New Jersey

Frank R. Lautenberg
U.S. Senator, New Jersey



INDUSTRIAL PARKS

- 3 Hamilton Township Business Industrial Park
- 4 Millville Industrial Parks
- 5 Vineland Industrial Park
- 6 Bridgeton Industrial Park
- 6 Regional Economic/Demographic Profile

PORTS

- 7 Salem Port
- 8 City of Bridgeton Municipal Port
- 8 SJEDD Transportation Profile

FISHING & AGRICULTURE

- 9 Vineland Produce Auction
- 10 Cape May Seafood
- 10 Rutgers University Marine Research Laboratory

TOURISM

- 11 North Wildwood Boardwalk
- 11 SJEDD Parks and Recreation Profile

FINANCIAL

- 12 Revolving Loan Fund



*HAMILTON TOWNSHIP BUSINESS/
INDUSTRIAL PARK*

One of the premiere business locations in southern New Jersey is the Hamilton Township Business/Industrial Park in Mays Landing. Located at east/west arteries of the Atlantic City Expressway, it is within close proximity to the Atlantic City International Airport and the nation's largest aviation research facility, the Federal Aviation Administration Technical Center. Such a location places it in an enviable position to accommodate support contractor and high technology business facilities.

The development of the park in 1976 was a

pioneering effort by the community and the Federal EDA. Its success in attracting business and industry led Hamilton Township to pursue the development of the park's second phase. With the assistance of a \$1 million EDA grant in 1987, an additional 130 acres were improved. Since its opening in August 1989, it has met with initial success.

New or expanding firms looking for a central location with a well-trained, highly-motivated work force will find the Hamilton Township Industrial Commission ready, willing and able to assist them.

FOR MORE INFORMATION, CONTACT:

Hamilton Township Industrial Commission, Robert Ravell, Chairman, (609) 625-0368
Silk and Associates, exclusive sales agent, (609) 348-8888



INDUSTRIAL PARKS



From its earliest beginnings, Millville has been an industrial city, where generations built their lives and raised their families around the solid foundation of the manufacturers. The strength of these hard-working people helped the Holly City's industries become productive, and weather even the harshest of economic times. Many of the larger manufacturers emerged even stronger with their continued support. The City of Millville has encouraged this tradition with the development of strategically located industrial parks.

AIRPORT INDUSTRIAL PARK

Phase I – Funding for Phase I improvements of the Airport Industrial Park was received from the Federal EDA in the amount of \$640,000. Under this first development phase, a total of 100 acres were improved to create 19 industrial tracts. To date, all tracts have been sold, with construction in progress on several parcels. A total of 300 permanent jobs are anticipated as a result of Phase I development.

Phase II – Funding for Phase II improvements to the Airport Industrial Park was received from the Federal EDA in the amount of \$688,500. Under the second development

phase, improvements were made to the air side land that creates 15 new sites from a 53-acre tract. A total of 160 long-term jobs are estimated to result from this development. Sites are available for lease from the city in Phase II.

One of the first projects committed to this phase is the FAA's fully automated flight service station, the only one of its kind in the state.

GORTON ROAD INDUSTRIAL PARK

The city is currently developing an industrial park on land adjacent to Route 55. The financing of the park is a three-way joint venture between the city, the New Jersey Economic Development Authority and the United States Economic Development Administration. Federal EDA has awarded a grant in the amount of \$775,000 to the City of Millville.

The project will be located within two miles of the full interchange at Routes 55 and 49 and will accommodate light industrial/warehousing facilities. Completion is set for the fall of 1991.

FOR MORE INFORMATION, CONTACT:

City of Millville, Meihale Lescares, Industrial Development Director, (609) 825-7000



VINELAND INDUSTRIAL PARK

The City of Vineland is the largest land area city in the State of New Jersey. In order to fully utilize this asset, it has targeted land in the northwest quadrant for industrial development. The city grew and prospered as a result of its commitment to the development of Phase I of the Industrial Park located on Garden Road. As Vineland approached the 1980's, the potential for industrial development was elevated by the impending completion of Route 55, making Vineland readily accessible to the Philadelphia Metropolitan Area. The development of Phase II Gallagher Court extension linked Phase I to Route 47 and created some 13 new fully improved industrial lots. Development of Phase II was made possible by an \$800,000 Federal EDA grant. Since its dedication, nearly all of the lots in Phase II have been sold as industrial complexes continue to be constructed.

The Vineland Industrial Park is centrally located and adjacent to the Garden Road interchange of Route 55, placing it within a 45-minute drive to Philadelphia.

Businesses locating in the park enjoy a favorable operating environment, and are eligible for most local, state and federal incentive programs, including state designated Urban Enterprise Zone status.

The Industrial Commission which manages the park is entering its eighteenth year of operation and has been recognized for its ability to assist industrial growth and expansion.

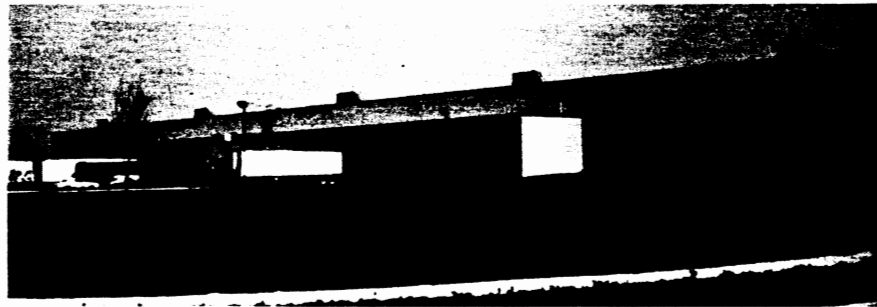
To date, the Vineland Industrial Park comprises approximately 650,000 square feet of industrial buildings, employing nearly 1,000 residents. Its influence has spurred further neighboring industrial/commercial development from the private sector and city-owned land has been inventoried for potential future expansion along the Route 55 corridor.

FOR MORE INFORMATION, CONTACT:

City of Vineland, Keith Petrosky, Economic Development Director, (609) 794-4100



INDUSTRIAL PARKS



Traditionally centered in the food processing, glass and textile industries, Bridgeton's economic progress has paralleled those industries. It too took a downward turn in the late 1970's and early 1980's as the country experienced high inflation, recession and a trend away from manufacturing.

In response, the city undertook the task of strengthening and diversifying its industrial base. The city utilized a \$1 million federal EDA grant to develop a 68-acre farmstead in southeast

Bridgeton as an industrial park. The construction of the Bridgeton Industrial Park began in the spring of 1985 and was subsequently dedicated in 1986. The first occupant of the park, TEC Floor Corporation, an asbestos-free floor tile manufacturer, was quickly followed by Squid-Mac.

Development opportunities are still available at the park for industry looking for reasonable land costs, skilled labor and a favorable operating climate.

FOR MORE INFORMATION, CONTACT:

Adam Brumbaugh, Assistant Director, Economic Development, (609) 455-3230

REGIONAL ECONOMIC / DEMOGRAPHIC PROFILE

Table with 6 columns: COUNTY, POPULATION, NUMBER OF HOUSEHOLDS, LAND AREA (Sq. Miles), PER CAPITA INCOME, LABOR FORCE. Rows include ATLANTIC, CAPE MAY, CUMBERLAND, and SALEM.

Source: NJ Dept. of Labor

COUNTY ECONOMIC DEVELOPMENT DIRECTORS

ATLANTIC COUNTY DIVISION ECONOMIC DEVELOPMENT Yvonne B. Doggett, Director (609) 343-2345

CAPE MAY COUNTY DEPT. OF ECONOMIC DEVELOPMENT Stephen Sheftz, Director (609) 886-1755

CUMBERLAND COUNTY ECONOMIC DEVELOPMENT Jonathan Savage, Director (609) 453-2177

SALEM COUNTY DEPT. OF ECONOMIC DEVELOPMENT Patricia Knobloch, Director (609) 935-7510



The Salem River has long been an economic asset to the southern New Jersey region with its close proximity to the Delaware River Basin and the Chesapeake and Delaware Canal. In 1981, the federal EDA granted the Salem Municipal Authority \$980,000 to develop a site along the river into an operating port facility. Today, the port has made tremendous strides and has been successful in attracting private investment.

The port enjoys excellent access for both rail service provided by West Jersey Short Line and truck access via Interstate 295 and the New Jersey Turnpike, with relatively low transportation expense due to Salem's close proximity to major markets. Labor costs at the

Salem Port are also comparatively low.

Warehousing facilities are located within the port district, as are grain storage facilities, to accommodate most cargo moving through the port.

The port has received Foreign Trade Zone (FTZ) designation, which allows domestic and foreign merchandise to be warehoused and processed duty free until such time as it leaves the zone. The FTZ designation provides the incentive to encourage business growth and expansion at the port. Plans to improve the facility, including dredging to 18 feet to accommodate larger vessels and increase activity, are currently underway.

FOR MORE INFORMATION, CONTACT:

Salem Municipal Port Authority, Earl Gage, Chairman, (609) 935-6380

**CITY OF BRIDGETON
MUNICIPAL PORT**

The City of Bridgeton has only recently emerged from the economic hardship it suffered over the last twenty years, caused by the closings of its major manufacturing industries. The city's turnaround, which began with the creation of the Bridgeton Industrial Park in 1986, has expanded to include the development of a municipal port. The project began on September 27, 1989, when the city was awarded a \$1 million EDA grant to establish a waterborne transportation system to accommodate the barge transport of bulk material, particularly construction aggregates.

The Marine Terminal project area is located



within the Bridgeton Port facility on Grove Street, south of State Highways 49 and 77, both of which provide linkages to the Delaware Memorial Bridge and Interstate 295. Adjacent to the site is a rail line which is currently being rehabilitated.

FOR MORE INFORMATION, CONTACT:

Bridgeton Municipal Port Authority, Steven Carnahan, Executive Director, (609) 451-5100

TRANSPORTATION ACCESS

ATLANTIC COUNTY

MAJOR HIGHWAYS – Garden State Parkway; Atlantic City Expressway; U. S. Routes 9, 30, 40, 206, 322; State Routes: 44, 50, 52, 54, 87
RAILROADS – Passenger: Amtrak (Atlantic City to Philadelphia); NJ Transit (local stops)
Freight: Shore Fast Lines
AIRPORTS – Atlantic City Airport, Pomona; Bader Field, Atlantic City; Germania Heliport, Galloway Twp.

CUMBERLAND COUNTY

MAJOR HIGHWAYS – U. S. Route 40, NJ Routes 47, 49, 55, 77
RAILROADS – Freight: Winchester & Western Railroad
AIRPORTS/PORTS – Millville Airport; Bridgeton Port

CAPE MAY COUNTY

MAJOR HIGHWAYS – Garden State Parkway; U. S. Route 9
FREIGHT RAIL – Shore Fast Lines
AIRPORTS – Cape May County Airport; Woodbine Airport
Cape May Lewes Ferry

SALEM COUNTY

MAJOR HIGHWAYS – New Jersey Turnpike; U.S. Routes 295, 40, 130; State Routes 49, 55
FREIGHT RAIL – West Jersey Short Line, Conrail
AIRPORTS/PORTS – Salem Port; Wilmington Airport (20 Miles)



Vineland Produce Auction ground breaking ceremony August 28, 1990 (left to right) Mayor Harry Curley, L. Joyce Hampers, Richard E. Squires, Dr. John Reinard, Charles Bylone, Charles Griffiths, Jennifer Lookabaugh.

VINELAND COOPERATIVE PRODUCE AUCTION

The City of Vineland on behalf of the Vineland Produce Auction had requested and was subsequently awarded grant assistance from the federal EDA in the amount of \$900,000 on March 28, 1990 to undertake the expansion and improvement of the Produce Auction facilities. Construction of a new platform and the installation of specialized "state-of-the-art" cooling equipment technologies will enable the 550 farmers from the counties of Cumberland, Atlantic, Salem, Gloucester, Cape May, and Camden to increase the shelf life and quality of produce, which will result in increased sales with higher profit margins to South Jersey farmers.

The Vineland Cooperative Produce Auction

Association, Inc. was founded on April 23, 1931, and continues to be a vital operating entity. The Auction is the largest produce auction on the east coast of the United States and serves as an assembly and distribution point for a wide variety of fresh fruits and vegetables. In addition to serving local producers' needs for 550 growers, the market also provides a network of broker, buyer and wholesale activities to numerous domestic and international markets including Canada and the Caribbean Basin. In recent years, the Auction has shown a growth pattern and with the completion of the new facilities, this trend will surely continue.

FOR MORE INFORMATION, CONTACT:

Vineland Cooperative Produce Auction, Charles Bylone, President, (609) 691-0721



CAPE MAY SEAFOOD

The port of Cape May boasts the second largest landings of fish along the eastern seaboard. Cape May County targeted its resources along with a \$1 million grant from federal EDA and an additional grant from the State of New Jersey to develop a seafood

processing plant. The facility occupies about 38,000 square feet of the nearly 200,000 square foot Everlon Building located at the Cape May County Airport/Industrial Park Complex.

FOR MORE INFORMATION, CONTACT:

Cape May County Economic Development, Stephen W. Sheftz, Director, (609) 886-1755



RUTGERS UNIVERSITY MARINE RESEARCH LABORATORY

With the region hosting the second largest fishing port on the east coast and a shore line that borders both the Atlantic Ocean and the Delaware Bay, it is not surprising that the fishing industry is an integral part of the regional economy. However, during the 1970's, the shellfish industry was devastated when nearly all of the oyster beds in the Delaware Bay were lost to the MSX disease. To rejuvenate this vital industry, Federal EDA awarded a

\$1 million grant to Rutgers University to construct a research facility that would assist fishermen in understanding and confronting forces adversely affecting finfish and shellfish production and harvesting, including the control of infectious diseases and advanced aquaculture techniques. After years of research, the lab has introduced a new MSX resistant strain of oysters that are being planted throughout the Delaware Bay. Applied research at the Rutgers Research Laboratory has been proven to be an effective economic development tool.

FOR MORE INFORMATION, CONTACT:

Rutgers University Marine Research Laboratory, Dr. John Croitor, Assistant Director, (609) 785-0075



NORTH WILDWOOD BOARDWALK

Tourism is the single largest industry in southern New Jersey, generating billions of dollars for local establishments. With its close proximity to the vast population base of the northeast, coupled with its natural beauty, southern New Jersey is well positioned to capture national and regional markets as well as convention, and meeting markets.

In 1984, the City of North Wildwood was

awarded a \$400,000 Federal EDA grant to fully improve their renowned boardwalk. This project has encouraged new economic development in the area with businesses that operate not only during the peak summer months, but throughout the spring and fall as well. Projects such as this have transformed the tourism industry into a year-round operation.

The southern shore area hosts more than 30 million visitors each year, generating employment for over 50,000 people, most of which are year round. The long term health of this particular industry is important, not only for its direct economic impact; but also as it ripples into other support industries. Projects such as this assure the utilization of natural resources as well as maintaining a competitive edge, especially in pursuing international markets such as Canada.

FOR MORE INFORMATION, CONTACT:
City of North Wildwood, (609) 522-2094

PARKS & RECREATION

ATLANTIC COUNTY

Atlantic City; Estell Manor County Park; Pennypot County Park; Riverbend County Park; Atlantic County Park at Lake Lenape; Weymouth Furnace County Park; Gaskill County Park; Forsythe Wildlife Refuge; Kennedy Park; South Jersey Regional Theatre; Stockton State College Performing Arts Center; County Historical Society Museum & Library; Atlantic City Art Center & Noyes Museum

CUMBERLAND COUNTY

Bridgeton Symphony; Atlantic Brass Band; Vineland Singing Ambassadors; Red, White & Blue Band; Cumberland Players; George Woodruff Indian Museum; Nail House Museum; New Sweden Farmstead Museum; Pirate House; Sports Hall of Fame; Wheaton Glass Museum

CAPE MAY COUNTY

Cape May County Park/Zoo; Cape May/Lewes Ferry; Stone Harbor Bird Sanctuary; Cape May Point State Park; Historic City of Cape May; Emlen Physick Estate/MidAtlantic; Center for the Arts

SALEM COUNTY

Parvin State Park; Fort Mott State Park; Appel Farm Arts & Music Center; Supawna Meadows National Wildlife Refuge; Riverview Park; Hancock House; Maskell's Mill Pond; Salem County Historical Society Museum



REVOLVING LOAN FUND

The South Jersey Economic Development District has experienced tremendous success in providing "gap" financing to assist small businesses in achieving their expansion goals.

The RLF Program is intended to provide gap financing for small business firms under sixty (60) employees to encourage business expansion and retention. Loans are provided at substantially below market rates for a term not to exceed five years.

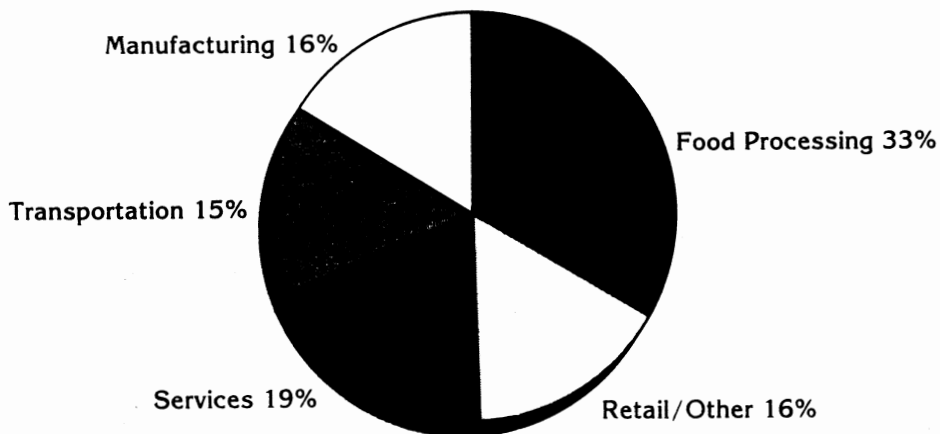
Expedited application processing, minimal redtape and attractive interest rates have generated significant demand for RLF funds. The District Revolving Loan Fund has evolved into a very useful tool for small businesses throughout Southern New Jersey to grow and prosper.

On December 31, 1989 the District had fully committed the entire loan pool of \$640,000. These funds were utilized to encourage growth in the manufacturing, food processing, service

and retail industries. The distribution of RLF funds was as follows: 33% food processing and distribution, 16% manufacturing, 15% transportation, 19% service industries and 16% retail and other industries. The RLF Loan Program has leveraged more than \$4.8 million in private sector investment which is projected to generate some 135 new jobs.

With nearly an 8:1 private to public leverage ratio and one job created for every \$4,500 of RLF funds utilized, the program can be considered an overwhelming success. This record of achievement nearly doubled the projections put forth in the original grant proposal. This is but the first round in an ongoing program. Funds are now being recaptured and it is anticipated that in the near future additional funds will be made available to other industries that are looking to grow and expand in southern New Jersey.

REVOLVING LOAN FUND
LOAN ALLOCATION BY SECTOR %



Source: South Jersey Economic Dev. Dist.

FOR MORE INFORMATION, CONTACT:
South Jersey Economic Development District, Gordon K. Dahl, Director, (609) 794-8497

16 X



New Jersey Retail Merchants Association

TESTIMONY

BY

**MELANIE L. WILLOUGHBY
PRESIDENT**

BEFORE

**ASSEMBLY ECONOMIC GROWTH, AGRICULTURE, TOURISM & COASTAL
PROTECTION COMMITTEE &
ASSEMBLY COMMERCE & REGULATED PROFESSIONS COMMITTEE**

MARCH 20, 1991

MILLVILLE CITY HALL

Mr. Chairmen, distinguished members of the joint Assembly Committees, I am Melanie Willoughby, President of the New Jersey Retail Merchants Association, which represents over 1,400 stores in New Jersey, most of them small merchants on "Main Street" and in strip malls. The retail industry is the second largest employer in this state, employing over 500,000 people.

I want to thank you for recognizing the special needs and problems of small businesses and thus providing a forum - this Small Business Summit - to communicate our concerns to you and to the Legislature.

Every new law or regulation that directs businesses to act in a certain manner or imposes a new restriction, impacts large and small businesses, but the impact on small business is magnified 1,000 times over in its financial severity and time-consuming paperwork. Small business - by its very nature of being small - does not have the resources to compete on the same playing field with large companies when restrictive and expensive laws are passed.

Today, I intend to outline for the Committees, four areas in which the New Jersey Retail Merchants Association would like to concentrate - 1) taxes - the new 7% sales tax on advertising in the yellow pages; 2) health care - small business needs in health insurance reform; 3) labor costs - elimination of New Jersey's minimum wage step that is over the federal requirement and 4) burdensome paperwork - an administrative fee remitted back to retailers for the collection of the sales tax.

I do have a list of every piece of legislation that is presently awaiting action or that has recently become law that is extraordinarily onerous to small businesses and I would be happy to also make that available to the Committee. I do think that it would be useful in your deliberations to see the vast number of bills that seek to control free enterprise and restrict competition and hurt small businesses.

THE 7% SALES TAX ON ADVERTISING

Last July, when the Legislature enacted the new tax package, a new item was added to be taxed that directly impacted small business. It was the addition of a sales tax on advertising in the telephone directories and according to proposed regulations from the Division of Taxation the advertising in any directory.

It discriminates against small businesses. While 11% of Yellow Pages advertising is placed by national advertisers, the vast majority comes from hard-pressed local businesses. Small retailers and other companies cannot afford a large sales force and must rely on advertising to boost sales, with the smallest of these operations relying almost exclusively on Yellow Pages advertising. The last thing they need right now is a sales tax on an essential marketing tool.

Small businesses will be forced to cut their advertising budgets by at least 7%, and possibly more, in their Yellow Pages and directory advertising. Instead of spending \$1 on this type of advertising, they will spend 93 cents in order to cover the tax.

Advertising functions as a stimulator of growth, and with less advertising comes less sales. An already sluggish retail economy in New Jersey can only be made worse, with the result being less sales tax revenue for the state.

The estimated annual amount of \$20 - \$25 million raised by this new tax on Yellow Pages/directory advertising will be offset by the loss of sales. In fact, businesses freed of this burdensome tax will be more fully able to work toward increased sales, and thus more tax revenue for the state. New Jersey should not obstruct the process which creates jobs and income.

Like all printed matter, directories already pay sales tax on either the printing, if it is a controlled directory, or on resale, if the directory is sold. With the addition of an advertising space sales tax, the directory is taxed twice.

We would like to recommend that this sales tax be repealed.

MINIMUM WAGE

When the Federal Government enacted a new minimum wage, New Jersey went one step further beyond the federal level to be enacted on April 1, 1991 of \$4.25 to a \$5.05 wage as of April 1, 1992. The New Jersey Retail Merchants Association recommends that the \$.80 increase over the federal level be rolled back now.

We believe that this increase over the federal level will have a devastating impact on small retailers, who are already suffering from the present economic slowdown in New Jersey.

Retailers would be placed at an economic disadvantage to their retail neighbors in other states who are not exceeding the federal minimum wage.

Retailers would be hardest hit with this \$.80 increase over the federal level because of the "ripple effect -corresponding wage increases for employees that are already above the minimum wage. The retail industry would be forced to increase salaries proportionately without the guaranteed higher sales which will result in a loss in jobs.

The proponents of this additional minimum wage increase claim that it will address the problem of poverty or help the "working poor". They claim that it will aid the working parent, who if paid at the federal minimum wage of \$4.25 an hour, earns \$8,500 on a full time year round job - an annual income near the official poverty threshold for a family of three. However, this claim is not supported by the facts of who is a typical minimum wage worker.

As of the late 1980's, there were approximately 5 million minimum wage workers, representing less than 5 percent of total employment. About these 5 million, census figures tell us the following:

- *58 percent were between the ages of 16 and 24
- *76 percent were not the heads of a household
- *65 percent were part-time workers
- *81 percent were in families with income above the Federal poverty line
- *70 percent were in families that had one or more other workers
- *Only 2.3 percent were both full-time, full-year workers and in families below the Federal poverty line

Consequently, the primary beneficiaries of the increase will be middle income families (whose children represent the greatest proportion of these workers - whose principals already earn wages above the minimum wage) - and not those at or below poverty level.

Almost 90 percent of all minimum wage earners are not employed on a full-time, year-round basis. Linking minimum wages to the assumption of full-time, year round earnings and poverty thresholds vastly overstates any beneficial impact.

This additional increase will undermine our ability to provide employment opportunities for inexperienced, entry-level workers, for students and for part-time workers. Elimination of low-wage employment opportunities may actually further aggravate the poverty-problem, because reduced sales and higher labor costs equal elimination of jobs or hours worked.

SMALL BUSINESS HEALTH INSURANCE REFORMS

Small businesses are especially vulnerable to increased insurance costs and they employ most New Jerseyans. Most small businesses want to provide health insurance for their employees and nine out of ten full-time employees are covered. But many can no longer afford to do so because of the lack of affordability and predictability associated with their premiums.

In speaking to small business owners and many elected officials, the health care crisis is one of costs. Nationwide, Americans are spending more than \$550 billion annually on health care. That is more that \$2,000 for every man, woman and child. Our expenditure for health care is higher than any other country, standing at 12% our gross national product.

The small group market is especially vulnerable to rate increases because of the higher administrative costs and higher risks associated with providing coverage to these groups. It is estimated that it costs about 30 percent more to market to small groups and to handle small group claims. And one catastrophic illness can force a small group's plan premiums to soar because there are fewer subscribers to absorb the costs. Small business, like any other business or household, needs the ability to plan for their financial future.

State regulations and laws tell employers and individuals what must be included in a health insurance policy, regardless of need. These 'mandated benefits' are increasing the price of health insurance and pricing many out of the market.

Large self-insured companies are exempt from these state mandates by federal law. Those unable to self-insure--mostly small businesses--bear the brunt of these costly mandates.

Small businesses are also at a disadvantage when they cannot self-insure in order to tailor their plans to their available revenues and the needs of their employees. Cost control strategies also have limited success in this market because there is an inadequate user base to justify the up-front costs of such services as utilization review, preventative programs and second surgical opinions.

Small firms also face higher transaction and administrative costs when purchasing health insurance. Affordability is also affected by medical underwriting practices where one or two "bad risks" in a small group can significantly increase premium costs.

Another impediment to small businesses is the federal tax law which raises the cost of health insurance for small businesses. Corporations are allowed to deduct the full cost of premiums as a business expense. However, a sole proprietor may only deduct twenty-five percent of the premium cost. The Employee Benefit Research Institute estimates that nationally the self-employed and their dependents comprise more than 23 percent of the uninsured population.

We have also been informed that the development of Multiple Employer Trusts have been hampered in New Jersey by an existing law which covers minimum group size for life insurance plans. Because many insurers provide a package plan of both life and health insurance, a 10 person minimum under the life insurance law limits the ability of insurers to form METs for very small groups. The Department of Insurance has informally indicated that this problem would be a relatively simple matter to correct legislatively.

We want to encourage the Legislature to tackle health insurance reforms that will address issues we can already define - like the difficulty of small businesses to get into and stay in the health insurance market place. We recommend that you enact reforms that are already embodied in A4301, sponsored by Assemblyman Thomas Deverin.

- .Guaranteeing that health care coverage will be available to small businesses even if one or more of their employees are considered to be uninsurable or a high risk or if an employee's health deteriorates.
- .Assuring that insurance carriers cannot impose new pre-existing condition exclusions on individuals when they change jobs or when employers change carriers.

- .Imposing a maximum permissible spread between each small group carrier's lowest and highest rates for each class of business.
- .Allowing individuals and small businesses to buy-in to the Garden State Health Plan or the State Health Benefits plan or a commercial barebones health insurance plan.
- .encourage cost-effective managed care, like establishment of preferred provider organizations.
- .establish small business tax deductions.

The offering of a barebones health insurance policy, as recommended by Senator Richard Codey is strongly supported by the New Jersey Retail Merchants Association and the HEAL Coalition, Help Establish Affordable Health Care Laws. It is key to our efforts to increase the number of persons with health insurance. Providing small business owners with affordable barebones policies is essential if we are to bring more New Jerseyans under the health insurance umbrella.

Reform is needed to eliminate costly mandated benefits and to provide stability and guarantee availability in the small group market not imposition of a payroll tax and penalties on a segment of the business world that can least afford it.

We strongly endorse the Legislature's efforts to reform the health care system through many of the reforms in S3251 and A4282 and A4301 and commit to working with you to enact the reforms and make them work.

ADMINISTRATIVE FEE REMITTED TO RETAILERS FOR COLLECTION OF SALES TAX

Past studies by national accounting firms that have examined the critical issue of an administrative fee remitted to retailers for collection of sales taxes have shown that the collection allowance granted by state and local governments has been well under the amount actually needed to cover the retailer's actual costs of collecting the tax.

Over the past decade, trends in retailing and tax collection have affected retailers' costs. For example, improved technology has allowed retailers to collect and remit sales tax to governments more efficiently. What may not be so apparent, however, are trends that have added to the time and resources a firm must expend, e.g.:

- *electronic payments
- *advanced payments
- *changing tax bases and rates

The analysis yielded a national average cost estimate of 3.48 percent of total sales tax liability. This means that, on the average, for every \$100 of sales tax a retailer collects and remits, it costs \$3.48. Thus even with today's more efficient equipment (e.g., sophisticated POS terminals), the average retailer's cost of collection and remittance is substantial.

Of the 45 states that have a sales tax, 24 of them recognize the retailers' costs of collecting and remitting the tax by providing an administrative fee. The New Jersey Retail Merchants Association would like to recommend that an administrative fee for retailers be enacted.

I want to thank you for your time and for your interest in helping the small business owner. This is an especially difficult time - during an economic slump - and any assistance or legislative or regulatory relief you can offer would be greatly appreciated.

NFIB New Jersey

National Federation of
Independent Business

Testimony by the
National Federation of Independent Business in New Jersey
submitted to the
Assembly Committee on Economic Growth
and the
Assembly Commerce Committee

Laura Giannotta,
Director, NFIB/NJ
March 20, 1991

State Office
156 W. State St.
Trenton, NJ 08608
(609) 989-8777



The Guardian of
Small Business

Mr. Chairman and members of the Committee, my name is Laura Giannotta, I am the New Jersey Director of the National Federation of Independent Business. I appreciate this opportunity to share with you the views of New Jersey's small and independent business owners.

By way of background, the National Federation of Independent Business (NFIB) is a nationwide business organization representing nearly 600,000 small business owners, employing about 7 million persons. Our average member has 10 employees. Our membership in New Jersey stands between 8,000 and 9,000.

NFIB's primary mission is to be the most effective advocate of small business and to be a guardian of a competitive free enterprise system. Policy positions at NFIB are established through a vote of the general membership, not a board of directors or select committee. Six times annually members are asked to vote on 5 policy issues through NFIB's federal office in Washington. New Jersey members are polled every year and asked to express their opinions on issues particular to the Garden State. The general response rate on the annual NFIB/New Jersey Ballot ranges anywhere from a low of 7.7% to a high of 10.5%

I have attached the NFIB/New Jersey Ballot and result for 1989, 1990, and 1991. In addition, the NFIB Foundation's Quarterly Economic Report for Small Business is enclosed.

The Foundation is the only private national institution whose primary research agenda is based on the interests of small business. Its research activities provide data, information and analysis on public policy issues that affect our economy. The

Foundation's education programs provide teachers, students, and the general public with materials promoting small business, entrepreneurship and the free enterprise system.

Small business continue to make important contributions to the economy, generating innovations, employment, and income in times of both economic expansion and contraction. Even as the pace of growth in the economy slowed in 1989, small businesses continued to create new jobs at a faster rate than their larger counterparts. Small firms help create diversity and flexibility in the American economy. The very nature of small firms and of the flexible work forces they employ means that they frequently face higher costs and more administrative barriers to providing their employees the health, retirement, and leave benefits readily available in larger firms. Despite this, they benefit society by providing sources of employment and development for minorities and women integrating themselves into America's business sector, and by serving as vehicles for innovation and change in the nation's growing economy.

With that background, I'd like to share with you some of the problems encountered by NFIB's New Jersey members, as well as some possible solutions.

Small business owners are not heartless, nor are they insensitive to the needs of their employees. For many however, the cost of health insurance and the constant fluctuations in premium costs make the provision of insurance, whether fully paid or under a co-pay, a gamble at best. Tax incentives, price stability and flexibility in the insurance contract would not only make the provision of insurance more predictable, but it would make health

insurance an attractive investment for the small business owner.

There are several bills now pending in both the Assembly and Senate to accomplish this; Senator Codey has a proposal, as does Assemblyman Deverin. Both would allow the offering of a 'bare bones' insurance contract, a health insurance contract free from the costly mandated provisions dictated by the Legislature. The bills are not identical, and there are portions of each that will go a long way toward making health insurance affordable to both the employer seeking small group coverage and the individual as a sole proprietor.

Though the position of NFIB/New Jersey has been made clear over the last 10 to 12 months, both as the state's advocate of small business and as a member of the HEAL Coalition, I want to reiterate opposition to a 'pay or play' policy on the issue of health insurance. Call it an indigent care financing proposal or an effort to encourage the provision of health insurance. **IT IS A PAYROLL TAX AND PENALTY.** It's an attempt by the state to shirk its commitment to total access to hospital care. NFIB remains staunchly opposed to this.

If you glance through the most recent NFIB Foundation Quarterly Report you'll see that the number one complaint of small business owners nationwide is taxes. Each of you I'm sure has heard enough about the recent tax increases. However, there is one tax that hurts the small business owner disproportionately. That is the recently enacted 7% sales tax on yellow page advertising.

Because New Jersey is located between two of the country's largest media markets advertising is expensive. Small business

owners don't have the resources to design newspaper ads or write radio and TV copy, so they depend on phone book advertising. The imposition of the sales tax on this type of ad has affected 68% of NFIB's membership in New Jersey. When polled recently, nearly three fourths of those using yellow page advertising favored repeal of the tax, providing the revenue can be found elsewhere. NFIB would encourage the Legislature to examine alternative sources for this revenue.

As the economy continues to improve another area ripe for examination is recognition of and payment to those business owners collecting, processing and remitting the sales tax to the state. Allowing either a percentage of credit for the administrative costs associated with collecting, processing and submitting this revenue to the state, or a fixed dollar credit would probably improve collection and submission for the Division of Taxation.

Small business owners also can face problems when the decision is made to accept checks. Lacking sophisticated verifications systems, they are often easy victims for con artists writing checks. Like losses due to shop lifting, the dollars lost due to nonpayment of checks falls to the consumer through increased prices.

Under the present system, the only avenue open to the recipient of a bad check is through the criminal court system. However the system provides no incentive to the business owner to pursue those who knowingly issue worthless checks. The business person who decides to go after the bad check writer will often find court costs and attorney fees exceeding the award. A-1623,

sponsored by former Assemblyman Shusted offers a less burdensome method for the collection of these debts.

A-1623 provides for civil penalties of up to three times the face value of the check, not to exceed \$500. It also has safeguards for the honest consumer by requiring ample notification of the intent to file suit and it also allows the court to waive all or part of the damages.

Twenty two states already allow the recovery of treble damages, while another 7 states allow recovery of two times the face value of the check.

Enactment of another bill, S-77, increasing the monetary limit for small claims court might also help the small business owner in the collection of bad debt. It expands the jurisdiction of small claims court to any action in tort or contract where \$2,000 or less is involved. This bill has already been approved by the Senate and is waiting for consideration by the Assembly Judiciary Committee.

The problems and proposed solutions outlined here do not by any means represent the entire small business agenda. Obviously some of the problems are more difficult with more than one solution. NFIB/New Jersey looks forward to working with each of you and your colleagues to address these and other problems that hinder the state's free enterprise system and inhibit the growth of New Jersey's economy.

STATE BALLOT

HEALTH INSURANCE

1. Do you provide health insurance to your employees?

Yes No Undecided
 1 78 2 21 3 1 11

A. If you offer a health plan, what type of coverage is it?

88 group health plan
 3 Health Maintenance Organization
 5 reimbursement of employee health insurance costs
 4 other
 12

B. How is the cost allocated?

77 employer paid
 3 employee paid
 20 shared cost
 3 13

C. Have increased costs over the last 12 months forced you to change the health plan offered to employees?

38 yes
 31 no
 30 considering change
 1 discontinued
 4 14

Background: A few years ago, NFIB/NJ members were asked about the provision of health insurance for employees. This information has been helpful in fighting the misconception that small businesses do not generally offer health insurance benefits to their employees. We would like to update this information. In addition, many small business owners have seen tremendous increases in health insurance costs over the last 12 months; particularly those enrolled in the Blue Cross/Blue Shield Small Group Plan. NFIB/NJ wants to inform the Legislature of the effect on these increases.

Your Vote Counts.

Please take a few minutes to vote.

The NFIB staff in the state capital uses the ballot results to argue your case in the legislature. Give us the ammunition we need by taking a few minutes to vote today.

©1988 The NFIB Foundation



2. Should state government create a voluntary health insurance plan, administered by the lowest bidder among private insurance companies, to provide affordable health insurance to small business and their employees?

Yes No Undecided
 1 48 2 32 3 20 15

A. Should small business be offered a tax credit to offset the cost of purchasing health insurance for employees?

Yes No Undecided
 1 82 2 12 3 6 16

B. Should the state institute a four year pilot program of subsidies to businesses with 21 employees or less to encourage those businesses to offer health insurance to employees?

Yes No Undecided
 1 52 2 30 3 18 17

Background: The Health Department

3ax

has formed a task force to study ways to encourage and assist small business owners in providing health insurance to their employees. This working group will begin meeting in 1989. The Health Department would like to submit specific proposals to the Legislature in about 6 months. Your response will assist NFIB's representative on this task force in providing the small business owners views and needs in the provision of health insurance.

3. Should the Legislature require a fiscal note/analysis of any new health insurance mandates?

Yes No Undecided
 1 64 2 13 3 23 18

Background: Over the last several years many states have begun to require all health insurance policies to include services such as drug/alcohol abuse treatment, mental health treatment and mamography and PAP testing in all contracts.

Opponents say even if these requirements add significantly to the cost of health insurance, the cost is worth it. They say in the long run testing and some treatment must be required to promote health and save money in future hospital treatment costs.

Proponents say the Legislature should be aware of the costs of programs it mandates. They say a reasoned decision on health insurance mandates can come only when the impact on small business is known.

CHILD CARE

4. Should tax incentives be available and/or enhanced for business to provide child care assistance to employees?

Yes No Undecided
 1 44 2 38 3 18 19

A. Do existing child care options in your area meet the needs of your employees?

Yes No Undecided
 1 34 2 23 3 43 20

F. What is your company's policy on each of the following child care assistance benefits? (Check only one column for each issue.)

1. On-site child care center

Currently offer Plan to offer No Interest
 1 / 2 / 3 98 21

2. Subsidy for child care costs

Currently offer Plan to offer No Interest
 1 / 2 3 3 96 22

3. Information and referral

Currently offer Plan to offer No Interest
 1 3 2 6 3 91 23

Background: An increasing amount of legislative attention is being given to proposals regarding employer supported child care programs. In New Jersey's tight labor market, many businesses are finding it necessary to offer child care related benefits to attract and retain workers. To develop information about small business policies and interest on various aspects of this issue, your responses to the above questions are important.

EMPLOYEE BENEFITS

5. Do you have a policy for employee sick leave?

Yes No For Some
 1 55 2 34 3 11 24

A. If yes, is it:

Paid Unpaid
 1 85 2 15 25

B. How many days annually?

28 less than a week
 61 5-10 days
 11 more than 2 weeks
 3 26

C. Do you accommodate employees with time off to care for sick family members or the birth of a child?

Yes No For Some
 1 50 2 37 3 13 27

D. Do you require employees to use sick leave for the care of family members or the birth of a child?

Yes No For Some
 1 33 2 56 3 11 28

Background: The New Jersey Legislature is considering proposals to require employers to provide time off to em-

ployees to care for sick family members or the birth of a child. This would be in addition to Temporary Disability Benefits presently available to women leaving a job to give birth. The proposals presently being considered also require the individual taking this parental leave to be returned to their original position following the leave. Many feel this mandatory leave is unnecessary because this benefit is already offered by some employers.

UTILITIES

6. Should a law be enacted to limit the growth in the Gross Receipts and Franchise taxes paid by the consumer, collected by utilities and paid to the state?

Yes No Undecided
 1 57 2 11 3 32 29

Background: Gross Receipts and Franchise Taxes were created by the Legislature in lieu of personal property taxes to compensate municipalities for the location of utility facilities within municipal borders. Though it is the utilities who are assessed these taxes, it is ultimately the consumer who pays the cost through utility bills.

Presently the tax is based on the amount it costs a utility to generate electricity or provide natural gas. Therefore, if a utility must pay more for oil to generate electricity, there is a corresponding increase in the Gross Receipts and Franchise Tax. The proposed legislation would relieve the ratepayer of increases in the tax attributable to higher fuel costs by removing this variable from the gross receipts and franchise tax computation. This legislation would impose, instead, a unit tax on kilowatt hours of electricity and therms of gas sold. The effect would be to cap increases in the tax (currently 13% of all utility bills) so when the price of raw materials used to generate electricity increases the consumer would not face a corresponding increase in taxes.

Proponents say a unit tax is a more equitable tax to compensate a municipality for untaxable utility owned property within its borders. They also point out that there would be no reduction in the amounts of money paid the state and municipalities. In addition proponents claim a unit tax will encourage energy conservation.

Opponents argue that municipalities count on increases in the tax due to increased generating costs. They also claim that a unit tax would slow the rate of growth in the Gross Receipts and Franchise Tax Fund, thereby forcing

municipalities to look for other funding sources for the increased costs of municipal services.

PRIVATIZATION

7. Should the New Jersey Legislature establish a Privatization Study Commission?

Yes No Undecided
 1 60 2 20 3 20 30

Background: The Legislature will soon consider a bill establishing a 9 member Privatization Study Commission. The Commission's purpose will be to examine, investigate and study proposals for private sector takeover of suitable state and local government programs.

Proponents say government is inherently inefficient and therefore the cost of service provision by government is more expensive than services offered by the private sector. They also argue that by government mandate public firms enjoy a monopoly and therefore have no fear that a competitor will drive them out of business.

Opponents say that prices for services will escalate under privatization since the private sector operates to make money, while government does not. In addition they claim that government only offers services which the private sector does not find profitable.

ENVIRONMENT

8. Should a tax be imposed at the retail level on those containers deemed non-biodegradable?

Yes No Undecided
 1 49 2 37 3 14 31

Background: Legislation is being considered to either ban or tax plastic and styrofoam containers. Some of the bills, as written, do not only apply to fast food restaurants but to all plastic containers over a certain size.

Proponents favor this tax because they say it will encourage consumers to use recyclable containers. Because New Jersey is running out of landfill space and the cost of garbage disposal has skyrocketed, proponents claim this tax could be used to provide rebates to homeowners trying to cope with these increased costs.

Opponents say encouraging consumers to stop using plastic will not significantly decrease the amount of garbage sent to landfills, since plastic accounts for only 4% of the solid waste stream. In addition, they say if a two cent tax were imposed, homeowners in the long run would only

STATE BALLOT

BUDGET/TAXES

1. New Jersey is facing a budget deficit. Though state officials are not all in agreement on its size, they do agree there is a shortfall in General Revenues. In confronting this issue the new Administration says it will cut state expenditures, but many say a tax increase is likely. If the state legislature is forced to consider a tax plan, what type of tax increase would be least onerous? (Check *only one*)

- 21 increase the sales tax
 11 increase corporate taxes
 35 expand the sales tax to include clothing
 9 increase the income tax
 24 undecided

Background: Treasury officials do not all agree on the exact amount of the state budget shortfall, but all agree 1989 revenue growth was not what had been anticipated. The New Jersey Constitution requires the budget be balanced. To comply with this requirement, cuts in spending will be necessary. There is also a strong possibility that additional monies will be found through an increase in one or more of New Jersey's taxes.

If an increase is necessary, that increase should not fall totally on the small business owner. Responses to this question will help NFIB New Jersey to work toward an equitable solution to the state's budget dilemma.

HEALTH INSURANCE/ UNCOMPENSATED CARE

2. Should state legislation be enacted allowing the purchase of "no frills" group health insurance?

- Yes No Undecided
 58 21 21

Background: A "no frills" policy would include minimum coverage or hospitalization only. The cost of health insurance coverage has continued to increase. It has been cited by small business owners as a primary concern and has even forced some employers to reduce or drop coverage. In addition to the escalating insurance costs, the state's uncompensated care debt is growing. This is the debt hospitals

Your Vote Counts.

Please take a few minutes to vote.

The NFIB staff in the state capital uses the ballot results to argue your case in the legislature. Give us the ammunition we need by taking a few minutes to vote today.

©1989 The NFIB Foundation



1990

report to the Department of Health as uncollectable. It stems from hospital care for those unable to afford treatment (hospitals are barred from refusing treatment to anyone under federal law) or from the treatment of individuals without insurance who do not attempt to pay the bills.

In New Jersey, state government reimburses hospitals dollar for dollar, for all uncompensated care. The problem the state now faces is the escalating uncompensated care debt.

In the past, hospitals have been reimbursed through the state General Fund and an automatic 14% to 20% surcharge on all hospital bills. But increases in the cost of treatment, diminishing federal medicaid funds and a state revenue shortfall has forced the health Department to examine uncompensated care debt financing alternatives. One alternative being discussed is a per employee surcharge, paid by the employer, to cover the uncompensated care debt.

Proponents of the "no frills" insurance say that New Jersey's 14 mandated benefits have been at least partially responsible for the increased cost of health insurance. They contend that a "no frills" policy, including minimum coverage or "hospitalization only" would cost about the same as a per employee surcharge. In addition they say that the uncompensated care surcharge on hospital bills would be reduced if "no frills" policies were allowed. Proponents also say a bare bones policy, with hospitalization, would dramatically reduce a hospital's uncompensated care debt.

Opponents argue that allowing insurance companies to market "no frills" policies would lead to substandard care because many would rather not buy optional coverages. They also contend that many benefits now required would not be made available to employees if not mandated.

HEALTH CARE

3. Do you offer health insurance to your employees?

- Yes No Undecided
 76 24 0

3a. If you provide health insurance, are dependents of your employees eligible to participate?

- Yes No Undecided
 83 15 2

3b. Have health insurance costs increased over the last year?

- Yes No Undecided
 97 1 1

3c. If so, by how much?

- 29 up to 20% 21%-50% 51%-80%
 1 81%-100% / more than 100%

Background: Health care costs and the provision of health insurance are the major issues facing the 204th Legislature. NFIB New Jersey needs your response to these questions to update information provided to the Legislature.

Continued on page 2

4. Would you be interested in a state subsidized health insurance program for small businesses not currently providing health insurance?

- Yes 43, No 44, Undecided 13

Background: NFIB, New Jersey participated in a Small Business Health Insurance Task Force in 1989. As a result of the Task Force work, the Health Department has come up with a pilot program to offer reduced cost health insurance coverage to small employers not currently offering health insurance. It plans to find a health insurer that will offer a small group policy (for 20 or less) at a reduced rate. Officials say they will limit the insurers liability to a specific dollar amount (with a subsidy through the Uncompensated Care Trust Fund) thereby reducing premium costs. Responses to this question will assist the Health Department in refining and marketing the program.

UNEMPLOYMENT INSURANCE

5. Should persons collecting unemployment insurance be given a cash bonus if they find fulltime work within 12 weeks?

- Yes 19, No 75, Undecided 6

Background: The U.S. Department of Labor recently funded a pilot program granting unemployed workers a cash bonus for finding fulltime, permanent work within 12 weeks.

Proponents say lump sum payments will in fact save the UI fund money by encouraging the unemployed to find work more quickly. They point to the federally funded pilot program which reduced the duration of unemployment by an average of 10% and reduced payments by \$100 per person.

Opponents argue that a cash bonus defeats the purpose of unemployment insurance. They point out that UI recipients are already required to search for work. They also argue that the cash bonus plan would divert money from the UI fund because the original program was funded by the U.S. Department of Labor.

MINIMUM WAGE

6. What is the lowest hourly wage you pay starting employees? (Check only one):

- Below \$4.00, \$4.00 - \$4.50, \$4.51 - \$5.00, \$5.01 - \$5.50, \$5.51 - \$6.00, \$6.01 or more

Background: Though the federal minimum wage has been increased, New Jersey has not yet moved to conform state law with the federal minimum of \$4.25 hourly wage (soon to be implemented). Your response to this question will help NFIB/New Jersey determine the impact of an increase above the federal minimum.

BAD CHECKS

7. Should state legislation/regulations be adopted regarding restitution for bad checks?

- Yes 85, No 10, Undecided 5

7a. If so, what should be the penalty? (Check only one):

- payment of the bad check's face value, payment of the check's face value plus any costs, legal or otherwise, incurred by the business, payment of the face value of the check plus civil damages up to triple the check's face value but not exceeding \$500, A uniform statewide return check fee to cover the actual costs of handling the bad check

7b. What is the average annual loss to your business from worthless checks?

- less than \$100, \$101 to \$500, \$501 to \$1,000, \$1,001 to \$2,500, more than \$2,500

Background: The state legislature last year considered a bill to allow business owners to institute civil actions against the writer of a bad check who refuses to make payment. The bill considered would have allowed collection of up to three times the face value of the check up to \$500. The legislation stalled in committee. NFIB/New Jersey feels some state action is necessary to halt the passing of bad checks.

ENVIRONMENT

8. Should the State stop permitting the creation of solid waste incinerators until current solid waste plans are reviewed?

- Yes 32, No 51, Undecided 17

Background: The newly elected Governor wants a moratorium on new incinerator permits until all county solid waste plans can be reviewed. This proponents claim would give counties a chance to increase recycling goals and reduce the need for as many incinerators now called for.

Opponents say solid waste disposal plans have been approved and should move forward rapidly because of dwindling landfill space and the actions of other states prohibiting out-of-state dumping.

9. Should an environmental prosecutor be appointed to enforce the state's many environmental laws and regulations?

- Yes 39, No 48, Undecided 13

Background: A proposal by the newly elected Governor would establish the office of environmental prosecutor. This prosecutor would enforce all Department of Environmental Protection (DEP) rules, regulations and laws. Creation of this office would separate the prosecution of those not abiding by the state's environmental rules and regs from other DEP activities.

Proponents claim the prosecutor would be able to move quickly in environmental cases, avoiding bureaucratic delays often seen in the Department of Environmental Protection. They say in environmental matters violators must be punished at once to protect from further infractions that may threaten the state or its residents.

Opponents say the Department of Environmental Protection is successful in fulfilling its mandate to enforce environmental regulations and laws. They say a prosecutor could not do more than is being done at present. Opponents also say that a prosecutor could slow up the enforcement of regulations.

PRIORITIES OF THE GOVERNOR

10. In your opinion as a business owner, what should be the number one priority of the new Governor? (Check only one):

- attracting new business, reduction of health care costs, improving the business atmosphere, protecting the environment, controlling state spending, reducing government intervention in employer/employee relationships, reduction of liability insurance costs, Other (Please specify in Comments section)

Background: Many issues were debated during the recent gubernatorial election campaign. These are a few mentioned by both candidates. It's important that the new Governor know the small business owners' opinion on these issues.

COMMUNITY RIGHT TO INSPECT

11. Should state legislation be enacted setting up a system allowing workers and members of the community the right to inspect facilities for violations of environmental and occupational rules, regulations and laws?

Yes No Undecided
18 72 10

Background: Legislation will be considered in 1990 which would allow site inspections of facilities involved in manufacturing, transportation, telephone communications, electric, gas, and sanitary services, petroleum and chemical wholesalers, hospitals, commercial, physical, biological research and testing labs. These inspections would seek out occupational, environmental safety violations. Local community groups would also be allowed to inspect facilities once the groups have qualified by submitting a petition with 50 signatures to the Department of Environmental Protection.

Proponents say the understaffed Environmental Protection Department has not adequately investigated business operations in the state to ensure that environmental and occupational hazards are detected and remedied. They say the legislation when enacted would encourage the management of potentially hazardous facilities to work out strategies with neighbors and employers. Proponents say the legislation is needed because a study indicated that 2,000 to 3,000 deaths are caused by occupational cancer, dust diseases of the lungs, cardiovascular diseases, chronic respiratory diseases and neurological disorders.

Opponents of the proposal express concern about unqualified inspectors checking for hazards. They say a community group with little professional knowledge could significantly disrupt business operations. In addition, they claim the study indicating 2,000 to 3,000 deaths per year was not scientifically sound and was meant to determine what programs New Jersey had in place to deal with the whole issue of environmental health.

SMALL BUSINESS COMMITTEE

12. Should one or both Houses of the state Legislature create a permanent Committee on Small Business?

Yes No Undecided
1 71 2 17 3 12

Background: All bills considered by either the New Jersey Senate or Assembly must be referred to committee prior to consideration by the full membership. Presently, small business issues are referred to a number of committees prior to floor consideration. In the Assembly, it might be the Economic Development, Agriculture and Tourism Committee or the Labor Committee. In the Senate, it could be the Labor, Industries and Professions Committee.

If a Small Business Committee was established it would consider and review all legislation relating to small business. It would focus its efforts on improving the state's small business climate.

Proponents of the Small Business Committee say the needs of the small business sector are not always considered in the present legislative committee structure. They say the needs of small business are often different than those of larger, established businesses. And only with a Small Business Committee, proponents contend, will the growth needs of small business be addressed.

Opponents say a separate committee on small business would be costly and slow the legislative process. They believe small business receives adequate attention under the present system. They also say views of small business owners are taken into consideration by legislators in the present committee set-up.

LEGISLATIVE COMMUNICATION SURVEY

_____ YES, I am willing to contact my State Legislators on small business issues.

My State Senator is _____ Know well _____ Know casually _____

My State Assembly Representative is _____ Know well _____ Know casually _____

My name is _____ Company _____

Address _____

City _____ Zip _____ Telephone _____

COMMENTS OR SUGGESTIONS

35X

STATE BALLOT

STATE EMPLOYEE GROWTH CAP

1. Should state government enact legislation which would permanently limit the rate of growth in the state government work force to the growth in the state's population?

Yes No Undecided
 91% 6% 3%

Background: Presently, there are little or no real controls on the growth of state spending. Generally, the largest single spending area in the state budget is for personnel salaries, benefits, and pensions. This proposal would permanently limit the increases in employment in state government. It is estimated that just a 1 year freeze on state employee hiring would negate the need for increasing state tax revenues.

Proponents argue that before taxes are raised, state policymakers should do whatever they can to reduce spending. The most effective and efficient way to control future spending is to freeze and/or permanently limit the growth in state personnel. When businesses face hard times, many times they cut back on personnel.

Government should not be any different. Proponents feel with proper management that most needed services and programs performed by state government can still be offered by eliminating unneeded programs, increasing existing employees' work loads, possibly paying some employees overtime, computerizing certain manual functions, contracting out certain services to the private sector and placing better controls on sick leave. Proponents further argue that a freeze/limitation could exempt certain critical positions and certain popular program initiatives.

Opponents argue that a temporary freeze or permanent limitation on the growth of state employees will hurt the delivery of needed programs and services. Some of these programs are offered to small businesses. Opponents say it would not allow government the flexibility it needs to respond to changing needs of state residents. Such freeze/limitations would be arbitrary. In other words, in any given year a particular department in state government might have a greater-than-average attrition rate. If so, an across-the-board freeze on hiring could seriously hamper the department's ability to perform their intended task. When business experiences cost increases, many times they raise their prices. Government should have the same opportunity by raising taxes.

Your Vote Counts

Please take a few minutes to vote.

The NFIB staff in the state capital uses the ballot results to argue your case in the legislature. Give us the ammunition we need by taking a few minutes to vote today.

©1990 The NFIB Foundation



Opponents also argue that in some cases, such a limitation will place a greater burden on local governments and may cause them to increase local taxes.

VIDEO DISPLAY TERMINAL

2. Should there be a state law providing strict minimum standards for work that involves the use of video display terminals?

Yes No Undecided
 13% 71% 16%

Background: This law would be an attempt to provide safeguards for operators of Video Display Terminals (VDT's). It would regulate the use of VDT's, equipment used with computers and word processors in the workplace. It would require New Jersey employers to provide annual eye exams, provide operators with specially designed office furniture a low noise work environment and provide minimum standard lighting. It would apply to all employers, regardless of size.

Proponents of strict VDT regulation cite studies that concluded VDT operators often suffer from headaches, eye strain, poor vision,

back and shoulder pain, anxiety, irritability, sleep disorders and fatigue. Proponents also claim that low level radiation exposure from VDT's can be harmful to pregnant women.

The opponents of VDT legislation contend that the best available scientific evidence shows that VDT's are not harmful. The American Academy of Ophthalmology has issued a statement, for example, that says VDT's are not harmful to the eyes. The American College of Obstetricians and Gynecologists has found no link between VDT's and problems with the human reproductive function. A review of the scientific literature by the American Newspaper Publishers Association turned up no evidence that VDT's were hazardous to human health.

DRUG TESTING

3. Should the NJ Legislature enact legislation sanctioning random drug testing in the private sector workplace?

Yes No Undecided
 62% 30% 8%

Background: While New Jersey is a leader in adopting stringent laws that penalize drug use, drug distribution, and allow seizure of the assets of dealers, the Federal Government has been critical of the state's failure to enact laws affirmatively permitting random drug testing.

Although there are guidelines for the testing of state and local law enforcement officials and certain public-sector employees, New Jersey currently does not have any law that either directly permits or precludes private sector drug testing. At present, this is an open issue in New Jersey, with the issue being decided by private employers and the courts.

One New Jersey Federal Court case this year upheld a pre-employment drug testing program by a corporation. But a Superior Court Judge in a separate case last year struck down a private random drug-testing program and found that reasonable suspicion is necessary before privacy of a worker can be violated. Both cases are on appeal.

Proponents of state sanctioned drug testing in the workplace say employers should have guidelines to follow and discretion to determine which workers should be tested. Workplace testing, according to those advocating the legislation, say standardized drug testing in the workplace is key to the national drug strategy.

Opponents of enactment of laws permitting drug testing say that allowing employers to test employees for drug use would violate the workers' privacy and could be used as a

Continued on page 2

36x

retaliatory measure. If the employee is performing job functions and the safety of the workplace is not threatened, those opposed claim there is no need for workplace drug testing. They also say that a worker may not use drugs on the job, but still test positive as a result of a combination of over-the-counter and prescription drugs, or prior illegal drug use.

ADVERTISING

4. Do you use yellow page or phone directory advertising to promote your business?

Yes No Undecided
 1 68% 2 32% 3 0 14

4a. If the revenue can be found elsewhere, should the newly instituted 7% sales tax on yellow page/phone directory advertising be repealed?

Yes No Undecided
 1 72% 2 16% 3 12% 15

Background: During the debate earlier this year on raising tax revenues, the New Jersey Legislature extended the state's 7% sales tax to cover telecommunications equipment and services.

Though not stated implicitly in the law, the Division of Taxation has interpreted the law to include not only yellow page advertising as a telecommunications service, but any directory advertising thereby requiring payment of the sales tax. According to the American Association of Advertising Associations many business owners are not aware of the imposition of this new tax since it is lumped into the general sales tax total on monthly phone bills.

Opponents of taxing directory advertising say that it is not truly a telecommunications service, but advertising by definition. If advertising were to be included in the sales tax, those opposing this new levy say, then a business placing a promotional piece in a newspaper should also pay the 7% sales tax. In addition, opponents claim the yellow page directory advertising tax is particularly discriminatory for small and independent businesses since those businesses seldom have the resources to use radio, TV, newspaper or magazine advertising because the cost is prohibitive.

Those supporting the tax say the additional revenue is essential to meet the constitutional requirement of a balanced state budget. They claim those who can't afford directory advertising are not taxed so the tax is not regressive and is borne by those able to pay.

ENVIRONMENTAL CLEANUP RESPONSIBILITY ACT (ECRA)

5. Should New Jersey's Environmental Cleanup Responsibility Act be amended to remove duplicative reviews and tighten applicability?

Yes No Undecided
 1 83% 2 5% 3 12% 16

Background: In 1980 New Jersey became the first state to require that prior to the transfer of a property or business, the property be certified that it is free of any environmental hazards and the business have no outstanding environmental violations pending.

After working with the law for several years, many business owners and builders say the ECRA requirements could be changed to streamline the transfer of business and property and to end the practice of duplicative inspections, since many inspections are already required under other New Jersey statutes.

Proposed reforms include mandating consistency and cross acceptance between ECRA and other Department of Environmental Protection (DEP) administered programs, require the DEP to report to the Legislature on the progress of cleanups, have tiered levels of cleanup dependent on the business's general area (i.e. industrial, commercial, residential), establish a low interest loan fund to finance cleanups for innocent parties and revision of the applicability standards.

Proponents of this reform say the changes will continue to promote the cleanup of environmentally contaminated properties in New Jersey while lessening the bureaucratic impediments to business operations. By removing duplicative inspections required under other DEP programs, proponents say the ECRA approval time would be lessened while saving the state time and money. In addition, the ECRA reformers claim the time required for the clean up of environmentally undesirable properties would be greatly reduced.

Opponents on the other hand say since its enactment, ECRA has forced the review of many properties with cleanup plans implemented on them. They view any attempt to modify the Act or its regulations as a watering down of this stringent environmental protection initiative. They say only by expanding ECRA's scope or strict compliance with the current law can New Jersey's most polluted industrial sites be made pollution free.

HIGHWAY ACCESS MANAGEMENT CODE

6. Should NFIB/New Jersey work to amend the state's proposed strict regulations of development, redevelopment and renovation of existing structures along highways in the state?

Yes No Undecided
 1 52% 2 29% 3 19% 17

Background: The Highway Access Code implements the State Highway Access Management Plan of 1989. It was slated to become effective in the fall of 1990, however opposition has slowed the progress of the Department of Transportation's (DOT) attempt to adopt the necessary regulations.

If adopted the regulations would permit the DOT to close existing driveways and in certain cases allow DOT to prohibit or limit the establishment or renovation of existing business property.

Proponents of the Highway Access Management Code say state action is necessary to

alleviate the rush hour gridlock found in most of New Jersey's urban and some suburban areas. Overcrowding on the state roadways is problematic enough to warrant state intervention, they say.

Those supporting adoption of the regulations believe that the number of lives lost in traffic accidents would be greatly reduced by allowing the DOT to oversee all access to state highways. If uniform statewide supervision is not forthcoming, proponents say New Jersey stands to lose its designation as one of the nation's leaders in highway safety.

Opponents of the Highway Access Management Code say state pre-emption of local and county control of land use violates New Jersey's long held commitment to 'home rule.' The state intervention would both lower real property values and decrease the ratable tax base in some municipalities by rendering some non-conforming lots undevelopable, according to those opposed to adoption of the Code regulations.

This proposed state action, opponents say, does not offer a real solution to the state highway overcrowding problem. It removes no vehicle from the road, it forces drivers to use county and local thoroughfares without a reduction in vehicle usage.

The opponents claim that nearly two-thirds of the business property located on state highways would be classified as non-conforming if the regulations now proposed were adopted, due to the spacing standard for driveways. This would prevent the modernization, upgrading and renovation of existing business.

BAD CHECK CHARGE BAN

7. Should state legislation be enacted prohibiting banks from assessing businesses a charge for bad checks they receive and deposit?

Yes No Undecided
 1 76% 2 17% 3 7% 18

Background: The costs associated with the passing of bad checks continue to pose a financial burden on businesses, particularly retail merchants. One means of reducing these costs is by enacting legislation prohibiting depositing banks from assessing a charge on depositors (retailers, for example).

Proponents claim that most business checking accounts have various fees charged to them, including deposit fees, and by assessing a fee for a bad check written on another bank, the depositing bank is taking advantage of the merchant, who must still recover the amount of the check. Proponents cite the fact that where the depositing bank is also the originating bank, a bad check charge has already been assessed the writer, and that a charge to a depositor unjustly enriches the bank.

Opponents say that the costs of banking services, especially for processing a bad check, must be borne by the customers that create the charge and that costs will be recovered one way or the other. Opponents claim, too, that the legislature, or Banking Department, by enacting a ban on charges, is intruding into

Continued on page 3

the "free-market." They suggest "switching" to another bank with a lesser (or no) charge if unhappy with prevailing conditions.

HEALTH INSURANCE

8. Do you offer health insurance to your employees?

Yes 77% No 22% Undecided 1%

8a. Have health insurance costs increased over the last year?

Yes 96% No 3% Undecided 1%

8b. If yes, by how much?

Up to 20% 32% 21%-50% 59% 51%-80% 9% 81%-100% 0% More than 100% 0%

8c. Have you made inquiries about changing health insurance carriers at any time during the last 12 months?

Yes 79% No 20% Undecided 1%

Background: Health care costs and the provision of health insurance are the major issues facing the 204th Legislature. NFIB/New Jersey needs your response to these questions to update information provided to the Legislature.

COSTLY STATE PROBLEMS

9. What are the top three most costly state problems facing your business today? (Please check only three):

- Workers' Compensation 11%
Unemployment Compensation 5%
Interest rates, financing and/or securing loans 7%
State Government regulations 14%
Rate of state taxes 15%
Unfair competition from out of state companies, state or local governments or non-profit organizations 22%
Mandated employee benefits/health insurance, etc. 11%
Liability insurance 15%
Bad checks/bad debts 5%
Rate of local property tax 12%
Other (Explain in Comments section) 3%

Background: Your response to this question will enable NFIB/New Jersey to prioritize the concerns of our members. This information will help lawmakers understand the problems of small business in our state.

POSSIBLE MEMBERSHIP MEETING

10. Should NFIB hold an annual meeting in New Jersey?

Yes 55% No 7% Undecided 38%

10a. If yes, what time of day would be most convenient? (Check only one):

Morning 36%
Afternoon 19%
Evening 45%

10b. What day of the week would be best? (Check only one):

Monday 15%
Tuesday 28%
Wednesday 38%
Thursday 11%
Friday 8%

LEGISLATIVE COMMUNICATION SURVEY

(NOTE: IF YOU FILLED OUT THIS BOX LAST YEAR, PLEASE DO NOT FILL IT OUT AGAIN. YOU ARE ALREADY ON OUR SPECIAL LIST)

YES. I am willing to contact my State Legislators on small business issues.

My State Senator is _____ Know well _____ Know casually _____
My State Representative is _____ Know well _____ Know casually _____
My U.S. Congressman is _____ Know well _____ Know casually _____
My name is _____ Company _____
Address _____
City _____ Zip _____ Telephone _____

COMMENTS OR SUGGESTIONS

Multiple horizontal lines for writing comments or suggestions.

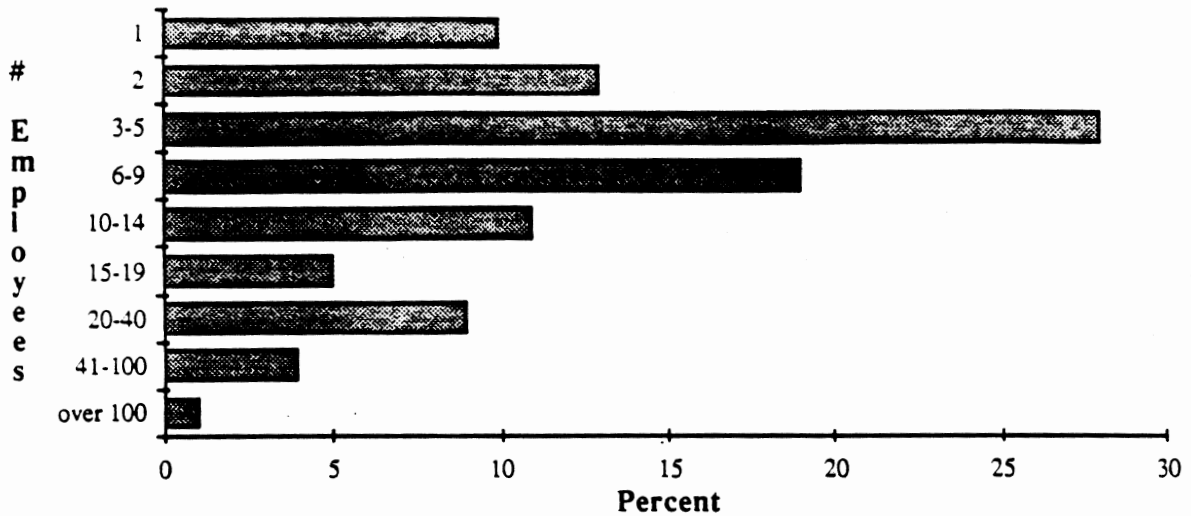
38X

NFIB/NEW JERSEY MEMBERSHIP PROFILE

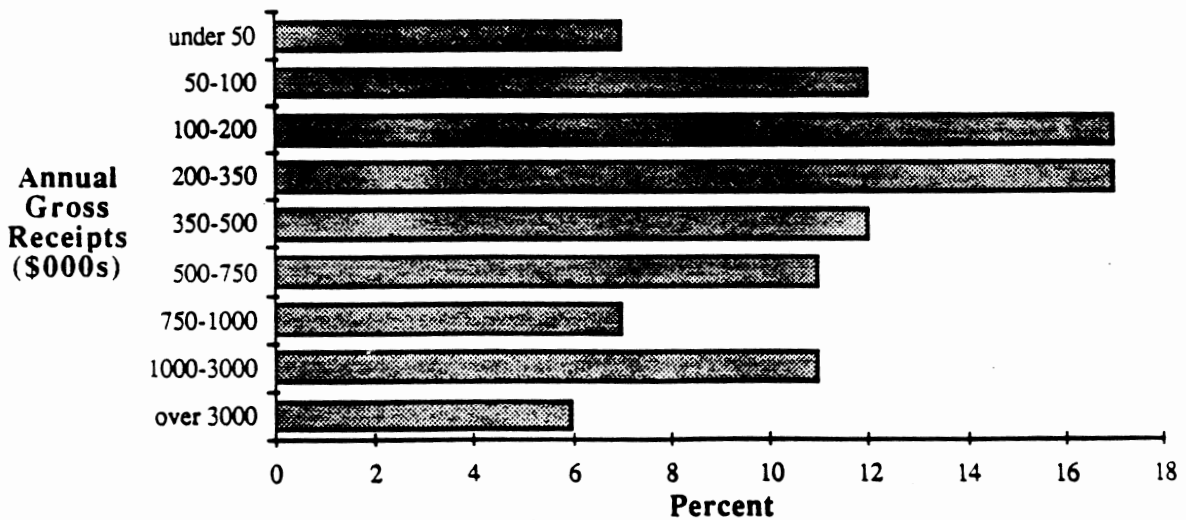
NFIB/New Jersey represents the entire spectrum of independent business, from one-person "cottage" operations to quite substantial enterprises.

The median NFIB/New Jersey members employs 5 workers and rings up gross sales of about \$350,000 per year. In the aggregate, the organization's members employ well over 85,000 workers.

NFIB/NEW JERSEY MEMBERSHIP by Number of Employees



NFIB/NEW JERSEY MEMBERSHIP by Annual Gross Receipts



ABOUT NFIB/NEW JERSEY

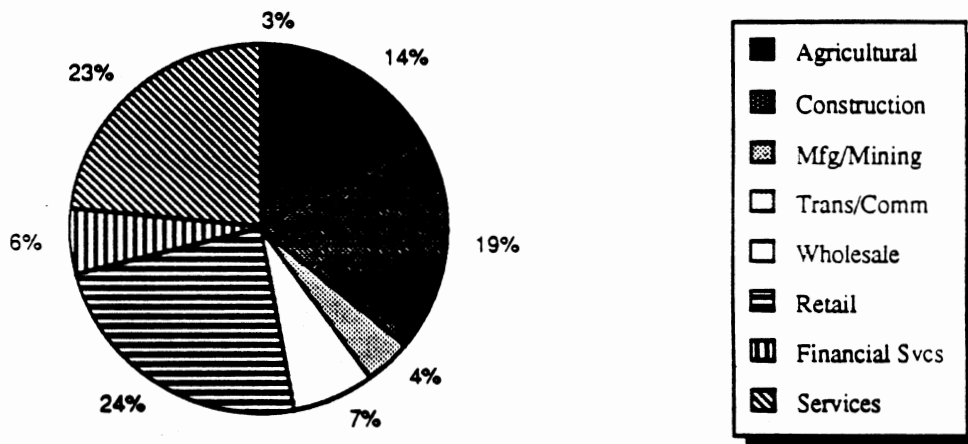
With nearly 9,000 members, the Trenton-based National Federation of Independent Business/New Jersey, is the state's largest business organization. Small- and independent-business owners join the association to have a greater say in the crafting of legislation and regulations that affect their lives and livelihoods.

NFIB/New Jersey draws its members from all walks of commercial life: from family farmers to neighborhood retailers, from independent manufacturers to doctors and lawyers, from wholesalers to janitorial service firms.

Each year NFIB/New Jersey polls its diverse membership on a variety of issues. The association uses the poll results to form its legislative agenda, aggressively lobbying in support of positions approved by majority vote.

Because policy is determined by direct vote of the membership rather than by a steering committee or board of directors, NFIB/New Jersey lobbyists have exceptional credibility as spokespersons for the entire small-business community. Rather than represent the narrow interests of any particular industry or trade group, NFIB/New Jersey promotes the consensus view of small- and independent-business owners from throughout the state.

NFIB/NEW JERSEY MEMBERSHIP by Industry Classification



Monthly Small-Business Economic Update

Volume 3; Issue 4
March, 1991
(February Survey)

LIGHT AT THE END OF A SHORT TUNNEL? SMALL BUSINESS INDEX MOVES SHARPLY HIGHER

NEARING THE END? The Index of Small Business Optimism moved sharply higher (seasonally adjusted) as seven of the Index's ten indicators rose between January and February. Two fell and one remained unchanged. The five percent increase in a single month returned the Index to last August's level, and suggests that the recession may be over by April or May. (The Index provided one of the first signals to the end of the 1981-82 recession and was almost alone in forecasting the vigor of the recovery.) However, caution in forecasting the recession's conclusion is warranted for despite the sharp movement upward, the Index remained at a comparatively low level and many indicators, e.g., inventory satisfaction and planned capital expenditures, remained relatively weak.

OUTLOOK -- A SEA CHANGE Greatest improvement occurred in the outlook, the "softest" indicators in the Index. Those who believed business conditions would get "better" in the next three to six months outnumbered those who thought it would get worse by 29 percentage points, an increase of 31 percentage points from January and 20 percentage points above February one year ago. The percentage who believe the present climate for small business expansion is favorable doubled between January and February (5% to 10%). Better financing conditions strengthened the outlook, but its improvement could be attributed to no single factor.

FINANCING -- BETTER Financing conditions improved between January and February. Yet, the changes were modest and small business owners saw further improvement occurring slowly. Interest rates paid on short-term loans fell 30 basis points to 11.6 percent between January and February. (The latest cuts in the prime rate will be reflected in next month's report.) The net percent reporting credit availability easier vis-a-vis harder eased by a single point. However, the number of regular borrowers remained at one of the lowest points in the survey's 17 year history. Small business owners forecast that the coming three months would find some improvement in credit conditions, though the forecast characterized changes as marginal rather than cosmic.



COST CUTTING IMPROVES EARNINGS PICTURE While remaining at historically low levels, the net percent indicating higher vis-a-vis lower earnings improved substantially from December and January reports. The pattern indicates that earnings have hit a recession low and are now rebounding. However, the earnings turn-about appeared marginally related to sales performance. February's sales data were flat compared to January's. Flat sales imply that cost cutting is primarily responsible for the earnings reversal. But changes may soon occur as expected future sales rose.

PLENTY OF INVENTORIES STILL REMAIN The area of greatest weakness was inventories. Many small business owners held unwanted inventories that they needed to sell off before they could reorder. Inventory satisfaction actually declined modestly from January and plans to make net additions in the next three months fell beneath their seasonal norm. Since small business owners entered the recession with their inventories under relative control, inventory balances should begin to improve soon.

SKILLED JOBS ONLY A second area of relative weakness was employment. Just 11% reported one or more current job openings, virtually all for skilled positions. February's was the fifth consecutive monthly decline in job availability. One year ago 19 percent listed at least one open position. However, February produced clear improvement over January in plans to make net additions to payrolls in the next three months. Though still 5 percentage points below the February average, plans rose 5 points from the prior month.

PRICE CUTTING RISES Prices charged by small business owners reflected recessionary pressures. Relatively few are increasing average selling prices and many are reducing them. In February, 25 percent reported higher average selling prices in the last three months than in the prior three. This proportion has remained generally stable since last summer and is lower than the levels typically recorded since 1987. However, the number lowering average prices continued to inch up. Sixteen percent in February reported lower average selling prices in the preceding three months than in the three months prior, the greatest percentage (excepting December) since mid-1986. Small business owners expected more of the same in the next three months. They forecast no change in their pricing behavior.

SURVEY CONDUCT The survey on which this Update is based was conducted during the month of February, 1991. A sample of 2,625 small business owner/members was drawn from the membership files of the National Federation of Independent Business. Each was mailed a questionnaire and one reminder. Eight hundred and fifteen (815) usable responses were received -- a response rate of 31.0 percent. William C. Dunkelberg and William J. Dennis, Jr., are responsible for the survey and Update.

WHAT IS NFIB?

The National Federation of Independent Business is the nation's largest advocacy organization representing small and independent businesses. With an audited membership of more than 500,000 business owners, NFIB is a melting pot of commercial enterprise: high-tech manufacturers and family farmers, neighborhood retailers and service companies.

Founded nearly a half-century ago, in 1943, NFIB was created to give small and independent businesses a voice in governmental decision making. Today, the organization remains true to its charter of advancing the concerns of small-business owners among state and federal legislators and regulators.

Two fundamental differences make NFIB stand out from most other associations. First, using direct balloting, its overall membership—not steering committees or its board of directors—determines NFIB policies. Second, to prevent undue influence by one member or group of members, dues are capped. Minimum dues are \$50; the maximum contribution is \$1,000.

Because of these two factors, NFIB's positions advance the consensus of the business community rather than the narrow interests of any particular trade group. Once the ballots are tallied—five times a year on federal issues and at least once a year on state

issues—NFIB's lobbyists carry the message to Congress and the state legislatures, backed by the clout of thousands of small-business owners.

With federal legislative offices in Washington, D.C., and state legislative offices in all 50 capitals, NFIB ensures an effective small-business voice within key lawmaking circles. Support for NFIB's operations is provided by its administrative office in San Mateo, Calif.

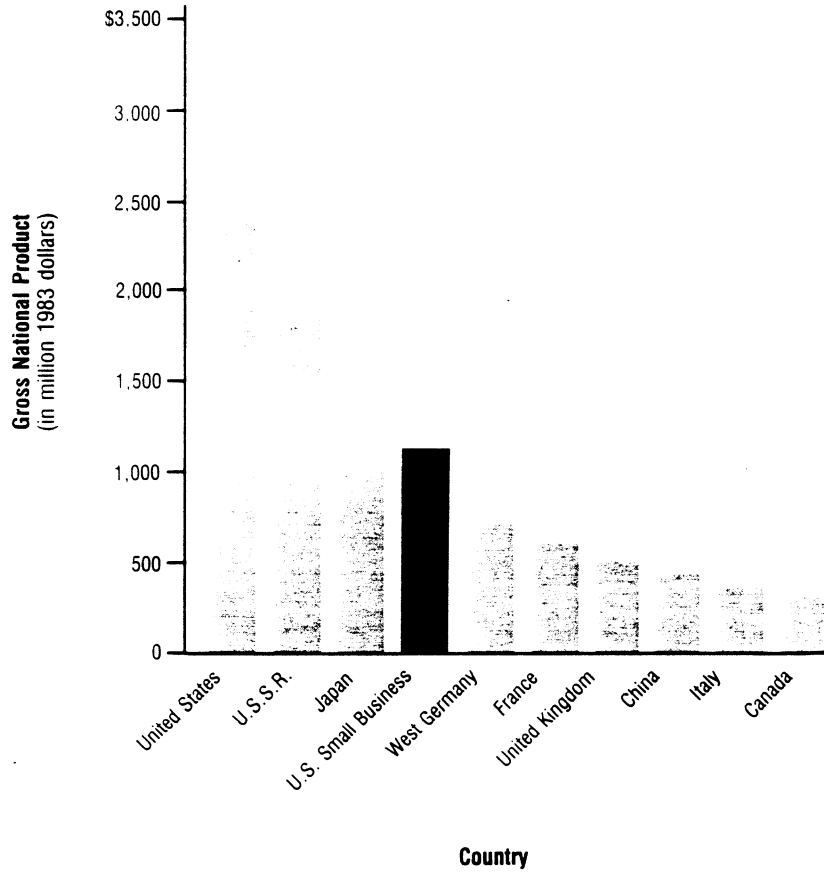
The NFIB Foundation

In today's global economy, complete and accurate research is essential. That's where The NFIB Foundation plays a major role via its research and education programs. From widely recognized quarterly economic surveys, which are credible indicators of economic trends, to special studies on critical business topics, such as banking relationships, tax burdens, utility costs and workplace safety, the foundation has become a highly respected source of economic information.

The NFIB Foundation also produces educational programs on entrepreneurship and the free-enterprise system to acquaint educators, students and members' employees with the societal contributions that small and independent businesses make.

U.S. SMALL BUSINESS

Output of Small Business in the United States Compared to the World's Largest National Economies



DATA SOURCE: Statistical Abstract of the United States, 1986

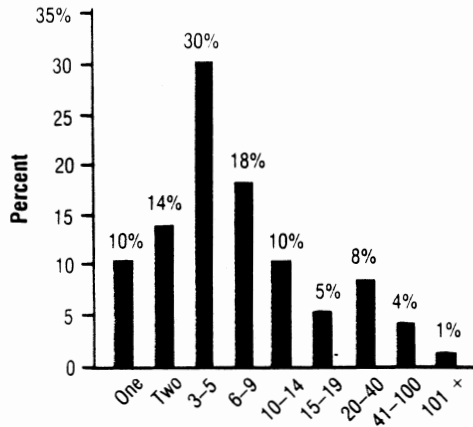
44X

NFIB MEMBERSHIP PROFILE

NFIB's national membership spans the spectrum of business operations, ranging from one-person "cottage" enterprises to firms with hundreds of employees. Its total membership employs 6 million people and reports annual gross sales of approximately \$426 billion.

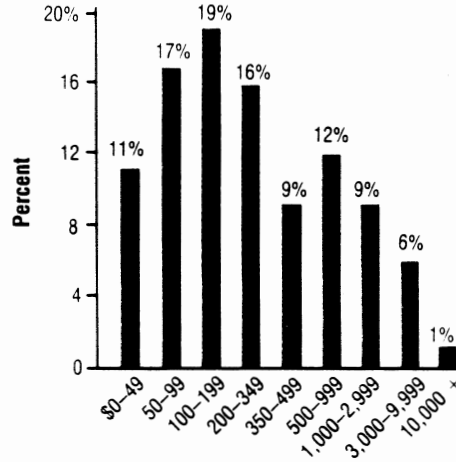
While there is no standard definition of an "average" small business, the average NFIB member employs 13 workers and reports gross sales of around \$550,000 per year.

**NFIB Members
By Number of Employees**



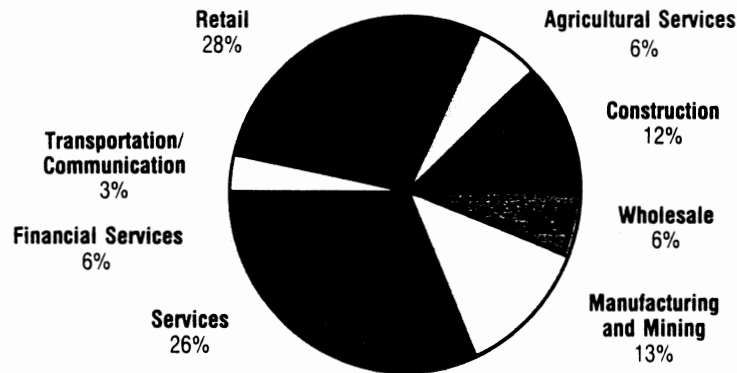
Number of Employees

**NFIB Members
By Annual Gross Receipts**



**Annual Gross Receipts
(in thousand dollars)**

**NFIB Members
By Industry Classification**



- Charts based on January 1988 membership total of 529,500.

45x

JOHN SLOAN JR., PRESIDENT & CEO

John Sloan Jr. is president and chief executive officer of the National Federation of Independent Business, the largest small-business organization in the United States. Prior to joining NFIB in August of 1983, he



was president and CEO of First Tennessee Bank N.A., Nashville.

Mr. Sloan was born in 1936 in Nashville, Tennessee, and raised on an operating farm in Williamson County, Tennessee. As a youth, Mr. Sloan was active in the 4-H Club,

principally showing Guernsey cattle. He has operated a cattle farm in southern Tennessee and still owns a small farm in Nashville where he raises and trains horses. A 1958 *cum laude* graduate of Vanderbilt University, Mr. Sloan served in the U.S. Navy from 1958 to 1961. He was discharged with the rank of Lieutenant. He is a 1971 graduate of Stonier Graduate School of Banking at Rutgers University.

Mr. Sloan has been an active participant in small-business activities for many years. From 1981-1984, he served as chairman of the National Advisory Council of the Small Business Administration. He has also served as chairman of the State Advisory Council of

the SBA in Tennessee. He was a member of the Small Business Council of the Chamber of Commerce of the United States. He has also been a member of the Commercial Lending Division, Small Business Credit Committee of the American Bankers Association.

As president of First Tennessee Bank, Nashville, Mr. Sloan initiated several innovative, aggressive programs in support of the bank's principal clientele—medium and small businesses. For example, in late 1980, when interest rates were at record levels, he established a "small-business base rate" to provide working capital to small-business owners at a special rate below prime. In 1981 he received the SBA "Advocate of the Year" award for Tennessee.

John Sloan is a former member of the Tennessee Board of Equalization. He has served as a member of the Williamson County Commission and mayor of Brentwood, Tennessee. He is a former president of the Nashville Boys' Club. He is on the boards of directors of the Boys' Clubs of America, National Junior Achievement, the National Alliance of Business and American Healthcorp, Inc. Mr. Sloan is a member of the Advisory Council to the Federal Reserve Bank of San Francisco on Small Business and Agriculture. He is a member of the board of trustees of King College.

Lobbying Group for Small-Business Interests Seeks To Greatly Increase Its Role in Electoral Politics

By JEANNE SADDLER

Staff Reporter of THE WALL STREET JOURNAL

WASHINGTON — When the National Federation of Independent Business recently asked members if they were interested in becoming delegates to next summer's Republican and Democratic national conventions, 500 of them indicated that they were ready to jump into the political fray.

"Politicians worship small-business men without supporting programs to help them," complains Richard Reinhardt, a Manchester, Pa.-based distributor of industrial equipment who is trying to become a delegate to the Republican convention. "I want to get into those inner councils to make sure they really understand small business and give us more than lip service."

The federation, with 500,000 members the largest small-business lobbying group, is trying to take a giant step into electoral politics. Although the association doesn't plan to start endorsing presidential candidates, officials say they want to become a force to be reckoned with each election year, like labor unions, the American Medical Association and the National Association of Realtors.

The center of the group's political push is a program to teach its members how to win delegate slots to the national political conventions as a way of placing their concerns on the national agenda. But the federation also plans to increase its political-action fund to at least \$1.5 million for each two-year election cycle, from about \$250,000, and to begin to work actively in congressional contests crucial to its interests.

Late Efforts

To be sure, the federation's political-action committee must attract many more donors to reach its goal. It raised only about \$187,000 during 1985-86, according to Federal Election Commission records, and has raised \$113,000 so far this year. The 1985-86 cycle was an aberration, federation officials say, because they were late starting their fund-raising efforts.

The need to beef up their political program became clear, federation officials say, when the organization saw its interests threatened by several strong labor-backed bills that have won considerable support in this session of Congress. As a result, the group is drafting a "small-business bill of rights" to guide congressional and presidential hopefuls.

That document condemns any law mandating a minimum level of employee benefits, such as health insurance or parental

leave, and calls for giving small businesses a better shot at federal contracts. It also trumpets ambitious—and perhaps unlikely—goals, such as ending employer payroll taxes and winning a seat at cabinet meetings for the head of the Small Business Administration.

John Motley, the federation's lobbyist, says that after a period of political excitement in the small-business community in the late '70s, there was some political napping. "They (small-business owners) got very comfortable with Ronald Reagan. We think this got us into the mess we're in—needing to fight off the labor-backed agenda. We lost big in the last election, particularly in the Senate."

Hundreds of small-business owners apparently agree with that assessment and have begun campaigns to win delegates' slots. Since most of them are political neophytes, the federation is supplying them with details about how the selection process works in their states and generally advising them to begin meeting and wooing local party officials and average voters. That sort of self-promotion is usually the most difficult part of the process, says Joan Moeltner, who tracks each potential delegate's efforts.

"I'm doing all the political protocol," says Mr. Reinhardt, who has contacted Pennsylvania party leaders and started petition drives to get his name on the ballot. "I actually have to conduct a campaign. I didn't expect that. But if small business is going to be involved in the political process, the small-business people have to put up with the game."

Despite the untidy process, some of the federation's would-be delegates are optimistic about their chances. William Gullickson Jr., president of MGK Co., a Minneapolis-based maker of chemicals used in household pesticides, has begun seeking support at neighborhood precinct meetings. Minnesota uses a caucus system to choose its delegates, so if Mr. Gullickson wins in his precinct, he still would have to stand for election in one of 60 districts used to elect state senators and in one of the eight federal congressional districts. "I'm not sure I know enough people to get a national delegate's slot, but right now it seems I have about as much of a chance as anyone else does," says Mr. Gullickson.

Major Concerns

Other small-business owners will pursue delegate seats from positions of advantage: a record of political involvement that

makes it likely they'll be appointed to the state's delegation by the governor, or by playing a major role in a candidate's local campaign. Charles Brandvold, whose Jacksonville, Fla., company makes water-treatment chemicals, has campaigned for several state legislators and has ties to the governor and to Florida's congressmen. He's also chairman of a state council of 14,000 active federation members. "I think I can pull off an appointment," he says confidently.

Small-business owners who haven't paid such political dues "will find it tough," he advises. Paul Farago, a Pawtucket, R.I., maker of small parts used in assembling wires and cables, has the advantage of serving as Sen. Robert Dole's finance chairman in a small state with a relatively simple delegate-selection process, thus gaining an inside track to a delegate's slot.

Whatever their chances, the business owners say they're determined to help create a more favorable political climate for some of their major concerns: taming the cost of product-liability insurance, reducing the budget and trade deficits, and slowing the recent movement toward mandated benefits. Mr. Brandvold, for example, blames Congress for ignoring "economic leadership" while concentrating on political controversies like the Iran-Contra affair. He says his company's liability-insurance premiums increased 4,000% in one year recently, even though he has operated for 12 years without any claims.

Both Democratic and Republican political analysts say the federation should have little trouble gaining more influence for its interests, given the size of its constituency and the general popularity of small business. Democratic adviser Joe Rothstein predicts, however, that by calling for lower taxes and fewer controls on businesses, the Republican-leaning group risks emphasizing old, ultraconservative themes too heavily in a more-pragmatic era.

And even greatly increased influence in Washington for the nation's entrepreneurs still isn't likely to match that garnered by the chairman of a Fortune 500 company when he walks into a congressman's office, says Eddie Mahe, a Republican political consultant. "A more direct route would be to get one of their members to serve as finance chairman for every candidate running for Congress. If you're a key fundraiser, I guarantee you, you'll have access."

The Washington Post

SMALL BUSINESS

MONDAY, OCTOBER 2, 1989

ALBERT B. CRENSHAW

Small Business Shows Its Clout With Big Victories on Capitol Hill

Business in general, and small business in particular, had a very good week in the House last week.

By wide margins, the members voted to wipe off the books both a three-year law that was meant to curb discrimination in employee benefits and a pending amendment that would have put worker representatives on pension boards. And they voted to give taxpayers a big break on capital gains, while not raising taxes on upper-income people.

All three of these were major business issues, but small business, particularly in the case of the anti-discrimination law, known as Section 89, had pulled out all the stops, insisting on unconditional victory even when defenders of the law had signaled willingness to cut a deal.

"Some members of Congress apparently believed that small-business owners were too weak and unorganized to fight back," said John Sloan, president of the National Federation of Independent Business (NFIB), a small-business trade group. "The repeal of Section 89 will serve as a good lesson that we may be small, but we are not weak and powerless."

Section 89 was enacted as part of the Tax Reform Act of 1986. It required businesses that offer employee benefits, such as health insurance, to prove that their plans did not discriminate against lower-paid workers.

The law required elaborate tests to

provide such proof, and threatened draconian penalties for failure.

Large businesses, with benefit plans that generally do not discriminate, found the law both burdensome and unnecessary, and joined with small business to try to change or repeal it. When House Ways and Means Committee Chairman Dan Rostenkowski (D-Ill.) offered a compromise, most large businesses were unenthusiastic but willing to go along.

Small business would settle for nothing short of repeal, however. And that appears to be what small business will get. Following the House's 390-to-36 repeal vote last Wednesday, Senate Finance Committee Chairman Lloyd Bentsen (D-Tex.) announced that he, too, would support repeal.

In fact, no one on Capitol Hill thinks of small business as weak and unorganized. Members on both sides of the aisle recognize that small-business owners are numerous, well-organized and very combative. Thus it is no surprise that the NFIB and the other small-business groups have done very well in Congress in recent times.

But their unwillingness to compromise on Section 89 has left a sour taste in the mouths of some in Congress. There is considerable suspicion that small business was less concerned with the compliance burden than with compliance, that running

the tests would be a lot less of a problem than what the tests would show—discrimination.

In addition, members do not like being bludgeoned when they are showing the white flag.

When the NFIB and its allies are not busy handing out lessons, they might learn one themselves from what happened to the real estate industry a few years ago.

The attitude that is beginning to grow on the Hill about small business bears a strong resemblance to the one that was evident about real estate when it was riding high in the early 1980s. Members were frightened of groups like the National Association of Realtors—whose members were so numerous they were accused of "human wave attacks"—but privately hated them.

And so it happened that when the tax reform boulder started rolling downhill toward the real estate industry, few members were willing to fling themselves in front of it to deflect it.

Sloan said he understands this, but argued that in the case of Section 89 "it was worth the risk to take on Rostenkowski so directly because [the issue] was so in tune with our members," and because there was no constituency on the other side.

The NFIB's problem, he said, is that a number of members support small business in public, but their record shows that their positions have not been very pro-business.

"We have reached a maturity level that makes it easier for us to hold their feet to the fire," Sloan said. "... Section 89 proved to be a vehicle for us to make sure they all heard the small-business constituency they had."

"There will be some days when we have some members [of Congress] who say, 'Look, we're not too interested in helping you,' but if our cause is right then my loyalty is to my [NFIB] member, not to a member of Congress," Sloan added. "When a line has to be drawn I've got to look to the person who's involved with having us here, and that's the NFIB member."

But he also said, "I would hope that once this is over and all is said and done that Dan Rostenkowski would understand that we are focusing on the issue. We are not trying to get him. . . . There will be other days for all of us."

Indeed there will. Even the principal advocate of repeal in the House, Small Business Committee Chairman John J. LaFalce (D-N.Y.), challenged the business community to join in fashioning a new measure that would curb discrimination in a workable way.

"I want to see if the groups that supported repeal will remain constant," LaFalce said, adding that he wonders whether their stated conviction that they really want "an appropriate law" is sincere or "whether it was conviction of convenience." ■

Quarterly Economic Report for Small Business

Winter 1991

Prepared by
The NFIB Foundation

© 1991 The NFIB Foundation

49X

**QUARTERLY ECONOMIC REPORT
FOR SMALL BUSINESS
(REPORT NO. 70)**

The 70th in a series of quarterly economic reports based on survey data obtained during January 1991 by questionnaire from member firms of the National Federation of Independent Business, San Mateo, CA.

© 1991 The NFIB Foundation

ISSN #0362-3548

50X

TABLE OF CONTENTS

Summary of Results.....1
Outlook.....2
Credit Conditions.....5
Prices.....8
Employee Compensation.....10
Sales.....13
Earnings.....14
Employment.....16
Inventory.....18
Capital Expenditures.....20
Index of Small Business Optimism.....23
Single Most Important Problem.....24
Regional Conditions.....26
War in the Middle East.....26
Appendix.....30
Questionnaire.....32

SUMMARY OF RESULTS

by

William C. Dunkelberg
Temple University

William J. Dennis, Jr.
The NFIB Foundation

Small business owners continued to struggle through the recession, hoping to boost sales and earnings from low and decreasing bases. January's small business economic survey did indicate that the skid in small business economic activity had stopped, though evidence of a rebound was absent. Most January indicators of future business activity were lower than they had been in October. Only a sharp reversal in expected general business conditions kept the Index of Small Business Optimism from tumbling beneath October's level. The Index forecast that the recession will continue at least through the first quarter and into the second.

The last three months were difficult for small business owners. Activity across-the-board slowed appreciably. Sales reports were among the worst in the survey's 17 year history; earnings reports were little better. Small business owners responded by reducing employment, inventories and capital outlays, though the latter seemed least affected. Fewer price increases and more price decreases were other responses. Anecdotes of severe credit pinches were again difficult to document. However, weak demand for small business loans may hide a problem that could erupt and wilt the recovery just as it begins to blossom.

Conditions are poor across the country. This is no "rolling recession" of the kind subject to much recent commentary. However, there are very regional elements to the recession. Small business owners in some parts of the country, most notably New England, seem to be faring much worse than are others.

This report is based on a random sample survey of NFIB members conducted during the month of January, 1991. Two thousand three hundred and fifty-eight (2,358) small and independent business owners returned usable questionnaires from the 7,202 mailed for a 32.7 percent response rate. A profile of respondents is located in the Appendix.

Small business owners do not anticipate brighter days in the near future, though they don't forecast further deterioration, either. Sales expectations lay at the heart of the problem. Small businessmen and women anticipated sales would dip even further. As a result, employment, inventory and capital expenditure plans declined. Planned employee compensation increases were also less frequent, as were plans to raise selling prices. However, encouragement came from a reversal in the number who believed conditions were worsening. In January, more believed that business conditions would improve in the next three to six months than believed they would deteriorate further.

The war in the Middle East has had a modest direct impact on small business activity -- at least to this point. Those small business owners who provided their views before war broke out looked at the economy and their firm's economic activity in much the same light as did those who responded after. The major exception was the out-look for general business conditions. Owners responding after the outbreak of hostilities had a considerably more positive outlook. That optimism carried over into somewhat more frequent plans for net additions to inventory and the labor force. The data provided neither insights nor explanation for the improved outlook following the onset of the war.

Outlook

Small business owners judged the current business climate unfavorably. Very few believed the present a good time for small business expansion. However, owners were more optimistic about the next three to six months. More projected that conditions would improve than projected they would deteriorate further. Though views often differed sharply on these questions, comparatively few were uncertain about conditions or thought that conditions would stabilize at existing levels.

Just five percent believed the current climate favorable for small business expansion (Table 1). January's assessment was the same as October's and December's. The sharp decline in confidence which occurred in the third quarter, plateaued in the fourth. Yet, January's number was only two percentage points off the survey record low.

The proportion of small business owners with the opposite view on the climate for expansion was also the same in January as it was in October -- 74 percent. The major change occurred between July and October when uncertainty fell 11 percentage points and positive assessments fell nine. Thus, not only has there been a switch from positive to negative, but small business owners are more assured of their views as evidenced by the decline in the number expressing uncertainty.

"Economic Conditions" dominated the thinking of the overwhelming majority who had a negative or uncertain opinion of the current climate (Chart 1). Over four in five of the "negatives" and three in five of the "uncertains" cited general economic conditions as the primary reason for their view. The "positives" were more likely to point to "Sales Prospects."

TABLE 1

CLIMATE FOR SMALL-BUSINESS EXPANSION IN NEXT QUARTER

GOOD TIME TO EXPAND	1988 JAN. %	1989 JAN. %	1990 JAN. %		1990 APR. %	1990 JULY %	1990 OCT. %	1991 JAN. %
YES	18	13	15		17	14	5	5
NO	49	52	50		46	54	74	74
UNCERTAIN	32	35	34		36	32	21	20
NO ANSWER	1	*	1		1	*	*	1
TOTAL	100	100	100		100	100	100	100

"Financing & Interest Rates" appeared to influence small business owner assessments comparatively little. Just three percent of those who did not think the climate good for small business expansion cited finance as the primary reason. The figure was marginally higher among those who weren't certain. Curiously, 13 percent of those who believed the climate favorable (n=128) attributed their view to presumably favorable or improving financing conditions. While the recession undoubtedly diverted attention from other concerns, small business owners did not appear particularly concerned by credit problems. (See, Credit Conditions.)

More small business owners believed general business conditions would improve (27%) in the next three to six months than believed they would worsen (25%) (Table 2). (Seasonally adjusted, a net two percentage points more believed conditions would worsen.) Though January's sentiment was less positive than December's, it represented a significant reversal from October's low. The change over the last three months has been a huge 33 percentage points. Barring a major setback, owner attitudes about future general business conditions have hit bottom for this recession and are on the rebound.

The recession has brought another change in the small business outlook. Though sentiment is now divided almost equally between the optimists and pessimists, most owners expected conditions to change. That has not always been so. From October, 1984, through July, 1990, at least a majority in every quarter forecast "more of the same." January found that for the second consecutive quarter less than 40 percent believed general business conditions would stay about the same for the next three to six months.

Those in the financial services and manufacturing industries were most likely to express a positive view about conditions in the next three to six months. Those in agriculture were most likely to express a negative view.

CHART 1

"GOOD TIME TO EXPAND" BY REASON
FOR VIEW OF EXPANSION

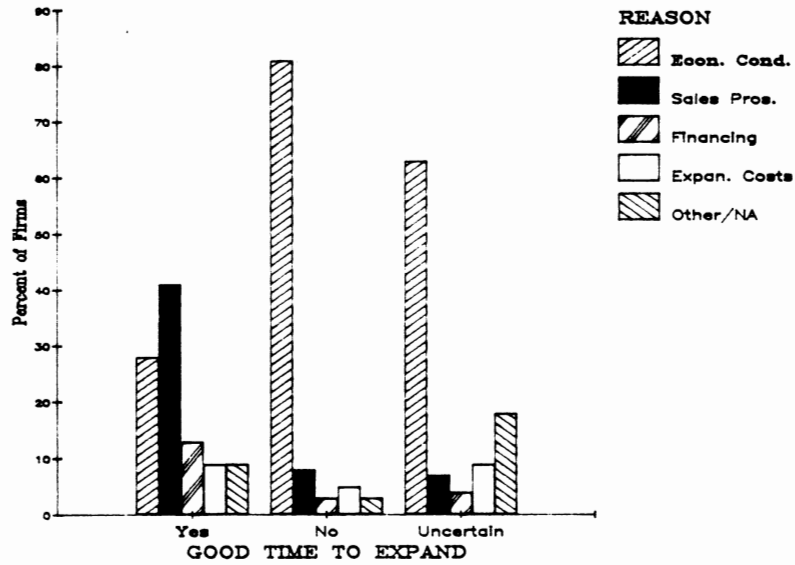


TABLE 2

EXPECTED GENERAL BUSINESS CONDITIONS OVER THE
NEXT THREE TO SIX MONTHS COMPARED TO CURRENT QUARTER

EXPECTED CONDITIONS	1988 JAN. %	1989 JAN. %	1990 JAN. %		1990 APR. %	1990 JULY %	1990 OCT. %	1991 JAN. %
MUCH BETTER	2	2	2		2	1	1	3
BETTER	22	20	22		20	16	11	24
SAME	54	58	57		57	53	36	38
WORSE	16	11	13		13	20	36	21
MUCH WORSE	1	2	1		1	2	7	4
DON'T KNOW	5	7	5		6	7	9	10
NO ANSWER	1	*	*		1	1	*	*
TOTAL	100	100	100		100	100	100	100

Credit Conditions

Small business credit conditions have changed little in the last seven to eight months. A January reduction of 0.5 percent in the prime rate is the first real variation since spring. But, it is not fully reflected in this month's report. Evidence of a "credit crunch" remains elusive. Not only do the data on credit conditions again fail to establish its existence, but responses to questions on problems (see, Single Most Important Problem), reasons for owner assessments of the economy (see, Outlook) and reasons for earnings changes (see, Earnings) give no hint of a credit problem, let alone a crisis. However, weak borrowing demand may hide some credit pinches.

The availability of loans in the the last three months compared to the prior three was identical in July, October and January. Eleven (11) percent reported them "harder" to obtain and one percent reported them "easier" (Table 3). These numbers are not favorable. But by comparison to other recessionary periods, they are no worse and generally better. For example, borrowing difficulty was about the same in the 1981-82 recession as now (Chart 2). Borrowing was more difficult in the 1980 and the 1974-75 recessions. In April, 1980, over 30 percent reported borrowing more difficult. In October, 1979, -- not even a recessionary period -- 19 percent reported borrowing more difficult. Thus, the "credit crunch" continues to remain elusive.

Regional differences influence the perception of credit problems. Small businessmen and women in New England were clearly impacted by credit availability more than were owners in other parts of the country. Owners in the Mid-Atlantic, South Atlantic and

TABLE 3

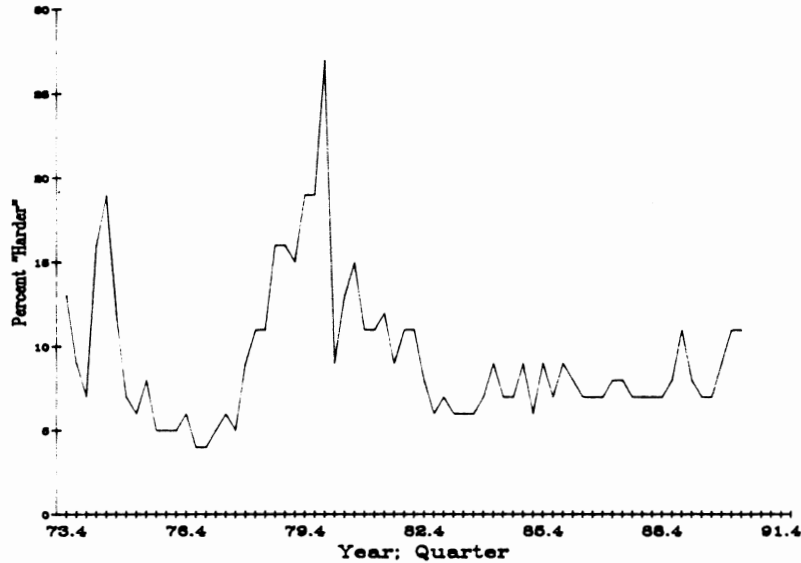
CURRENT AVAILABILITY OF LOANS
COMPARED TO AVAILABILITY IN PRIOR QUARTER

LOAN AVAILABILITY	1988 JAN. %	1989 JAN. %	1990 JAN. %	1990 APR. %	1990 JULY %	1990 OCT. %	1991 JAN. %
EASIER	1	1	1	1	1	1	1
SAME	29	27	25	24	22	20	20
HARDER	7	8	7	9	11	11	11
DON'T KNOW	2	2	3	1	1	2	2
DON'T BORROW; NO ANSWER	61	62	64	65	64	66	66
TOTAL	100	100	100	100	100	100	100

56X

the East South Central regions also appeared to be encountering more difficulties than owners elsewhere. In contrast, those in the Great Lakes, Plains, and Mountain regions found loans relatively easier to acquire.

CHART 2
DIFFICULTY OBTAINING BUSINESS LOANS



The average rate paid for a short-term small business loan over the last three months was 11.9 percent, virtually the same rate that has been paid since the beginning of the year (Table 4). However, downward pressure is evident. More owners indicated that rates were lower (7%) in the last three months than in the three months before, compared to those who reported rates higher (4%) (Table 5). January's data represented a significant improvement from October when the comparable figures were 8 percent and 1 percent respectively. These reductions will be captured in average rate calculations made for subsequent reports.

Demand for credit in the fourth quarter remained low. Just 34 percent classified themselves "regular borrowers," the same as in October. While current regular borrowing activity is on a parallel with the number of regular borrowers throughout the past year, borrowing frequency has eroded over the last 24 months. The principal effect of low demand has been to ease any credit shortages that exist. Thus, as the nation emerges from recession, it is likely that shortages will grow more severe rather than being reduced.

Small businessmen and women assessed future credit conditions with little enthusiasm. Just one percent thought they would become

TABLE 4

INTEREST RATES PAID ON SHORT-TERM LOANS

INTEREST RATE	1988 JAN. %	1989 JAN. %	1990 JAN. %		1990 APR. %	1990 JULY %	1990 OCT. %	1991 JAN. %
UNDER 10%	5	2	1		1	1	1	2
10-12%	36	36	32		38	41	38	36
13-15%	5	10	14		12	11	9	9
16% OR MORE	4	3	3		3	2	3	3
PRIME +1	28	28	29		25	25	31	26
PRIME +2	17	18	17		18	18	15	21
PRIME +3 OR MORE	5	3	4		3	2	3	3
TOTAL	100	100	100		100	100	100	100
AVERAGE RATE (%)	11.1	12.0	12.2		12.0	11.9	11.9	11.9

TABLE 5

CURRENT INTEREST RATES COMPARED TO INTEREST RATES IN PRIOR QUARTER

RELATIVE INTEREST RATES	1988 JAN. %	1989 JAN. %	1990 JAN. %		1990 APR. %	1990 JULY %	1990 OCT. %	1991 JAN. %
MUCH HIGHER	*	2	*		1	*	1	*
HIGHER	12	25	7		8	8	8	4
SAME	21	9	21		21	24	23	22
LOWER	4	1	7		4	2	1	7
MUCH LOWER	*	*	*		*	*	*	*
DON'T KNOW	1	1	1		1	2	1	1
DON'T BORROW; NO ANSWER	61	62	64		65	64	66	66

"easier" compared to 13 percent who thought they would become "harder" (Table 6). January's forecast was somewhat more favorable than October's. Yet, the tenor was pessimistic. Lowering the prime rate during the month seemed to have little or no effect.

TABLE 6
 EXPECTED FINANCING CONDITIONS NEXT QUARTER
 COMPARED TO CURRENT QUARTER

CREDIT EXPECTATIONS	1988 JAN. %	1989 JAN. %	1990 JAN. %		1990 APR. %	1990 JULY %	1990 OCT. %	1991 JAN. %
EASIER	2	1	2		1	1	*	1
SAME	26	24	22		22	28	17	16
HARDER	9	9	8		9	12	14	13
DON'T KNOW	2	4	4		3	3	3	4
DON'T BORROW; NO ANSWER	61	62	64		65	64	66	66
TOTAL	100	100	100		100	100	100	100

Prices

Small business selling prices provide one of the infrequent positive elements in January's report. Comparatively few small businessmen and women raised prices in the prior three months, though the growing number lowering prices indicated creeping difficulties. Moreover, plans to raise prices in the next three months fell when seasonal factors alone would be expected to push them higher. The good news in these price data is that the temporary rise in oil prices appeared to have been passed through by the end of 1990. Yet, too much cannot be read into January numbers; they are largely recession-induced. Weak demand drives down prices.

Twenty-four (24) percent reported higher selling prices in the last quarter than in the quarter before (Table 7). Excepting June, 1990, January's report showed the fewest increases since late 1987. The number lowering prices moved in the opposite direction; they continued upward. Fourteen (14) percent, the most since 1986, reported lower average selling prices.

Price increases were concentrated in the latter stages of the production-distribution chain. Wholesalers most frequently reported raising prices (41%) followed by retailers (33%). The most frequent price cuts were found early in the chain -- agriculture (38%)

59X

and construction (21%). One piece of good news was that the labor-driven service industries had among the most stable prices. Owners in each of the three (service, finance, professions) were less likely to raise prices than were small business owners generally.

Twenty-eight (28) percent planned to raise prices in the next three months, down two percentage points from October and four percentage points from one year ago (Table 8). Six percent planned lower average selling prices, the highest number since January, 1988. Since plans accurately reflect future price activity, January's plans indicate that price increases will become less frequent in the late winter and early spring.

Planned price increases were wide-spread. Those in the professional services (37%), wholesale (34%), retail (32%) and the services (29%) had the most frequent plans. The least frequent were held by those in agriculture (13%) and the financial services (15%).

TABLE 7

CURRENT AVERAGE SELLING PRICES COMPARED TO
PRIOR QUARTER'S AVERAGE SELLING PRICES

AVERAGE SELLING PRICES	1988 JAN. %	1989 JAN. %	1990 JAN. %	1990 APR. %	1990 JULY %	1990 OCT. %	1991 JAN. %
LOWER NOW	12	8	9	9	11	13	14
NO DIFFERENCE	57	58	52	59	63	58	59
HIGHER NOW	29	29	36	30	24	27	24
< 1%	1	1	*	1	*	1	*
1.0-1.9%	2	4	4	4	3	2	2
2.0-2.9%	4	5	5	5	4	3	4
3.0-3.9%	3	4	5	4	3	4	4
4.0-4.9%	3	4	5	4	4	4	3
5.0-7.9%	6	6	9	6	5	6	6
8.0-9.9%	2	1	2	1	1	1	1
10% OR MORE	8	3	4	3	3	5	3
NO ANSWER	*	1	2	2	1	1	1
NO ANSWER	2	5	3	2	2	2	3
TOTAL	100	100	100	100	100	100	100

TABLE 8

PLANNED PRICE CHANGES FOR THE NEXT QUARTER

PLANNED PRICE CHANGES	1988 JAN. %	1989 JAN. %	1990 JAN. %		1990 APR. %	1990 JULY %	1990 OCT. %	1990 JAN. %
LOWER	5	2	3		3	3	4	6
NO CHANGE	55	49	50		56	58	49	48
INCREASE	27	30	32		25	23	30	28
< 1%	*	*	1		1	1	1	*
1.0-1.9%	3	3	4		3	2	2	3
2.0-2.9%	3	4	5		5	4	4	4
3.0-3.9%	4	4	4		3	3	4	3
4.0-4.9%	5	4	5		3	3	5	4
5.0-7.9%	7	9	7		6	5	8	8
8.0-9.9%	1	1	1		1	1	1	1
10% OR MORE	3	3	3		2	3	3	3
DON'T KNOW	1	3	2		2	1	2	2
DON'T KNOW	12	13	13		14	15	15	17
NO ANSWER	1	6	2		2	1	2	1
TOTAL	100	100	100		100	100	100	100

Compensation

The proportion of small business owners raising average employee compensation fell to its lowest point since the series was instituted in 1984. Only the second quarter of 1986 equalled the last quarter of 1990. In addition, the six percentage point decline from October's report was the sharpest yet recorded. Just 18 percent reported higher average compensation in the last three months relative to the prior three (Table 9). Over the last eight quarters an average of 26 percent raised average compensation. With average increases at 5.7 percent per firm raising compensation, the average increases spread across all firms was 1.0 percent.

Plans to raise employee compensation suggest that the frequency of increases established over the last three months is likely to hold over the next three. Twenty (20) percent planned increases in

the coming three months (Table 10). With average increases at 5.5 percent per firm planning them, the average increase across all firms was 1.1 percent. January's plans were two percentage points more frequent than October's, but the former is highly seasonal. A more appropriate comparison is with the prior three January's in which an average of 25 percent planned average compensation increases.

Employee compensation currently bears little responsibility for increases in small business selling prices. Not only is the evidence seen in the relative infrequency of reported increases and

TABLE 9
CHANGE IN AVERAGE COMPENSATION
OVER THE PRIOR QUARTER

COMPEN- SATION CHANGE	1988 JAN. %	1989 JAN. %	1990 JAN. %		1990 APR. %	1990 JULY %	1990 OCT. %	1991 JAN. %
INCREASED	23	24	24		27	29	24	18
1-2%	3	3	3		3	4	3	1
3-4%	7	7	6		8	7	7	2
5-6%	6	7	7		9	9	7	5
7-8%	2	3	3		2	2	3	5
9-10%	1	2	3		2	3	2	2
OVER 10%	3	5	2		2	3	2	2
NO ANSWER	1	*	1		1	1	*	1
SAME	70	69	70		67	64	69	75
DECREASED	1	1	1		1	1	2	2
NO ANSWER	6	6	5		5	6	5	5
TOTAL	100	100	100		100	100	100	100

AVERAGE INCREASE	%	%	%		%	%	%	%
FIRMS INCREASING	6.0	5.9	5.8		5.9	6.0	5.9	5.7
ALL FIRMS	1.4	1.4	1.4		1.6	1.7	1.4	1.0

TABLE 10

PLANS TO CHANGE AVERAGE COMPENSATION
OVER THE NEXT QUARTER

COMPEN- SATION CHANGE	1988 JAN. %	1989 JAN. %	1990 JAN. %		1990 APR. %	1990 JULY %	1990 OCT. %	1991 JAN. %
INCREASE	19	24	26		22	17	18	20
1-2%	2	2	2		2	2	2	1
3-4%	7	7	9		7	6	6	2
5-6%	10	9	9		8	7	6	7
7-8%	2	2	2		2	1	1	7
9-10%	2	2	2		1	1	2	2
OVER 10%	1	1	1		1	*	*	1
DON'T KNOW	*	1	1		1	*	1	*
NO ANSWER	*	*	*		*	*	*	*
SAME	63	63	61		63	70	67	66
DECREASE	2	1	1		1	1	2	2
DON'T KNOW	8	9	10		12	9	10	10
NO ANSWER	3	3	2		2	3	3	2
TOTAL	100	100	100		100	100	100	100

AVERAGE INCREASE	%	%	%		%	%	%	%
FIRMS INCREASING	5.5	5.9	5.5		5.5	5.4	5.5	5.5
ALL FIRMS	1.3	1.4	1.4		1.2	0.9	1.0	1.1

planned increases, but in the small number citing "Cost of Labor" as their single most important problem. The frequency of citation has fallen three percentage points in the last six months and is now at its lowest level since 1986. (See, Single Most Important Problem).

Sales

Small business sales plunged over the last three months. The quarter's decline was the third consecutive quarterly tumble, all of which have been comparatively large. By January, 15 percent considered "Poor Sales" their single most important problem. (See, Single Most Important Problem). Worse still, over one-third of all owners expected sales to decline further in the next three months.

Substantially more small business owners reported sales lower in the last quarter compared to the prior quarter, than reported them higher. Just 25 percent related greater sales over the last three months than in the prior three; 36 percent related lower sales in the same time frames (Table 11). January, 1991, found the fewest reporting higher sales than any quarter since April, 1982.

TABLE 11

DOLLAR SALES VOLUME COMPARED TO PRIOR
QUARTER'S DOLLAR SALES VOLUME

DOLLAR SALES VOLUME	1988 JAN. %	1989 JAN. %	1990 JAN. %		1990 APR. %	1990 JULY %	1990 OCT. %	1991 JAN. %
MUCH HIGHER	2	4	3		4	3	3	3
HIGHER	25	29	29		27	34	27	22
ABOUT THE SAME	46	40	40		39	41	43	39
LOWER	23	22	24		25	18	23	30
MUCH LOWER	3	3	4		5	3	4	6
NO ANSWER	1	2	*		*	1	*	*
TOTAL	100	100	100		100	100	100	100

The Index of Small Business Sales (seasonally adjusted) illustrates how badly sales have deteriorated (Chart 3). January's Index score fell 8 percent from October's and is now 14 percent lower than July's. January's Index rested at its lowest level since October, 1982.

Christmas is the critical season for most retailers. Yet, 12 percent more retailers reported lower sales than in the prior quarter, than reported sales higher during the same period. Small business owners in the services, wholesale and construction also fared poorly. Those in manufacturing and the financial services fared best, though each still found more with lower than with higher sales.

64X

Not only were current sales poor, but small business owners expected them to deteriorate further. Thirty-one (31) percent anticipated sales would increase over the next three months; but, 37 percent anticipated sales would decline (Table 12). Comparing the net -6 percent (percent higher minus percent lower) to prior January sales expectations shows the grim view small business owners hold on sales. Last January a net +18 percent believed sales would improve; the prior January was +22 percent and the January before that was +23 percent. Sales expectations in January, 1991, were the bleakest with two solitary exceptions since the survey was instituted in 1973.

CHART 3

INDICES OF SMALL BUSINESS SALES
AND SMALL BUSINESS EARNINGS



Earnings

Small business earnings took another beating in the fourth quarter, reflecting the impact of the recession. Just 17 percent reported higher earnings in the last three months compared to the prior three; 44 percent reported them lower over the same period (Table 13). The Index of Small Business Earnings (seasonally adjusted) fell nine percent between October and January, and 19 percent between July and January (Chart 3). It is now at its lowest point since October, 1982. In addition, with sales expectations so low (see, Sales), it is likely the Index will fall further before it rebounds.

The most frequently cited reason for lower earnings was sales volume. Forty-nine (49) percent attributed their poorer earnings performance to sales (Table 14). January's number is three percentage points higher than October's, five percentage points higher

TABLE 12

REAL SALES EXPECTATIONS FOR NEXT QUARTER

EXPECTED REAL SALES	1988 JAN. %	1989 JAN. %	1990 JAN. %		1990 APR. %	1990 JULY %	1990 OCT. %	1991 JAN. %
GO UP A LOT	7	8	7		11	6	7	5
GO UP A LITTLE	36	36	36		45	37	26	26
STAY THE SAME	33	29	28		25	32	24	26
GO DOWN A LITTLE	16	18	20		12	17	28	29
GO DOWN A LOT	4	4	5		3	3	10	8
DON'T KNOW	3	3	4		3	4	4	5
NO ANSWER	1	2	*		1	1	1	1
TOTAL	100	100	100		100	100	100	100

TABLE 13

NET EARNINGS COMPARED TO PRIOR
QUARTER'S NET EARNINGS

NET EARNINGS	1988 JAN. %	1989 JAN. %	1990 JAN. %		1990 APR. %	1990 JULY %	1990 OCT. %	1991 JAN. %
MUCH HIGHER	1	2	1		2	2	1	1
HIGHER	21	21	18		19	22	16	16
SAME	45	43	43		41	43	44	37
LOWER	27	27	32		31	29	33	37
MUCH LOWER	4	4	5		6	3	3	7
NO ANSWER	2	3	1		1	1	1	2
TOTAL	100	100	100		100	100	100	100

than last January's, and nine percentage points higher than January, 1989's. Growth in the number citing sales volume is directly tied to the recession. Factor costs and seasonality were cited less frequently than usual.

The distribution of reasons given for higher earnings was virtually unchanged from the prior quarter and one year ago (Table 14). Sales volume, and to a lesser extent seasonality, were the two most frequent reasons given.

TABLE 14
PRIMARY REASONS FOR EARNINGS CHANGE

REASON FOR HIGHER NET EARNINGS	1988 JAN. %	1989 JAN. %	1990 JAN. %		1990 APR. %	1990 JULY %	1990 OCT. %	1991 JAN. %
SALES VOLUME	50	60	58		58	55	58	58
HIGHER PRICES	6	9	9		11	9	9	10
FACTOR COSTS*	4	6	5		4	6	5	5
SEASONALITY	19	18	20		19	25	21	22
OTHER; NA	21	8	8		8	5	7	5
TOTAL	100	100	100		100	100	100	100

REASON FOR LOWER NET EARNINGS	1988 JAN. %	1989 JAN. %	1990 JAN. %		1990 APR. %	1990 JULY %	1990 OCT. %	1991 JAN. %
SALES VOLUME	38	40	44		45	44	46	49
FACTOR COSTS*	20	21	22		19	28	27	19
SEASONALITY	21	24	23		21	14	13	17
OTHER; NA	21	15	11		15	14	14	15
TOTAL	100	100	100		100	100	100	100

* includes labor, material, and financing costs

Employment

Small business employment, along with sales and earnings, constituted the bleakest part of January's report. Operating small businesses suffered a substantial employment loss over the last

three months. The number with at least one current job opening fell sharply in the last month, indicating that unemployment would be moving much higher soon. And, the net percent planning to add employees in the coming three months forecasts a contraction in the total number of people working. The small business employment numbers which held up quite well for a long period have deflated rapidly.

TABLE 15
AVERAGE EMPLOYMENT CHANGE IN PAST QUARTER

EMPLOYMENT CHANGE	1988 JAN. %	1989 JAN. %	1990 JAN. %		1990 APR. %	1990 JULY %	1990 OCT. %	1990 JAN. %
INCREASED	13	14	12		16	21	14	10
- SEASONAL	4	5	3		6	11	5	3
- NON-SEASONAL	9	9	9		10	10	9	7
DECREASED	17	13	18		15	13	17	19
- SEASONAL	6	6	9		5	4	5	8
- NON-SEASONAL	11	7	9		10	9	12	11
NO CHANGE	70	70	70		69	66	68	70
NO ANSWER	*	3	*		*	*	1	1
TOTAL	100	100	100		100	100	100	100

NUMBER OF EMPLOYEES	1988 JAN. %	1989 JAN. %	1990 JAN. %		1990 APR. %	1990 JULY %	1990 OCT. %	1990 JAN. %
INCREASED (PER FIRM INCREASING)	4.0	3.9	3.3		4.7	3.8	3.8	2.9
DECREASED (PER FIRM DECREASING)	3.2	3.7	4.6		5.2	6.2	3.2	4.1
AVERAGE NET CHANGE PER ALL FIRMS	-.01	+.05	-.39		+.02	+.36	+.01	-.45

Just 10 percent increased average employment over the last three months; 19 percent decreased it (Table 15). Most of the

gains and losses occurred among non-seasonal employees. The average job loss per firm decreasing employment was larger than the average gain among those increasing it. The result was a loss of .45 employees per firm, the largest such loss since the fourth quarter of 1982.

Current job openings, a good indicator of future employment, dipped in January. Just 12 percent reported one or more vacancies, most for skilled labor (Table 16). Holding at around 20 percent for most of the year, the number of vacancies contracted suddenly. As late as October, 19 percent had at least one vacancy, but it fell to 16 percent in November and then to 14 percent in December.

TABLE 16

CURRENT JOB OPENINGS

CURRENT JOB OPENINGS	1988 JAN. %	1989 JAN. %	1990 JAN. %	1990 APR. %	1990 JULY %	1990 OCT. %	1990 JAN. %
YES	23	24	21	21	20	19	13
- SKILLED	14	15	15	14	15	14	10
- UNSKILLED	2	5	3	3	2	2	1
- BOTH	7	4	3	4	3	3	2
NO	75	75	79	78	79	80	86
NO ANSWER	2	1	*	1	1	1	1
TOTAL	100	100	100	100	100	100	100

The outlook for small business employment is little better. Thirteen (13) percent indicated plans to made net labor force additions in the next three months; 10 percent planned net reductions (Table 17). January presented the poorest set of small business employment plans since 1981.

Inventory

Small business inventory positions held up reasonably well despite rapidly declining sales. (See, Sales.) However, owners were obviously watching inventory levels closely. Relatively few made net additions to inventory in the prior three months and relatively few planned net additions in the next three.

Thirteen (13) percent increased their inventories in the last quarter; 25 percent decreased them (Table 18). Both were less favorable than typical January measurements. However, it had not reached 1982 levels. The percent increasing equalled January,

1983's, measure for the fourth quarter of 1982. But the percent decreasing was three points less. The slowdown in net additions to inventory began the prior quarter.

TABLE 17

EXPECTED NET LABOR FORCE CHANGES IN NEXT QUARTER

NET LABOR FORCE CHANGE EXPECTATIONS	1988 JAN. %	1989 JAN. %	1990 JAN. %		1990 APR. %	1990 JULY %	1990 OCT. %	1990 JAN. %
INCREASE	19	20	19		23	16	12	13
SAME	74	69	72		69	72	72	76
DECREASE	5	7	8		6	10	14	10
NO ANSWER	2	4	1		2	2	2	1
TOTAL	100	100	100		100	100	100	100

TABLE 18

INVENTORY CHANGE IN PRIOR QUARTER

INVENTORY CHANGE	1988 JAN. %	1989 JAN. %	1990 JAN. %		1990 APR. %	1990 JULY %	1990 OCT. %	1990 JAN. %
INCREASE	16	17	16		19	19	15	13
SAME	44	42	43		44	44	46	41
DECREASE	18	19	21		18	16	20	25
NOT APPLIC.	21	19	20		18	20	18	20
NO ANSWER	1	3	*		1	1	1	1
TOTAL	100	100	100		100	100	100	100

Current inventory satisfaction was one of the most, if not the most positive, element in January's report. Thirteen (13) percent indicated inventories were "Too Large," while nine percent indicated they were "Too Small" (Table 19). Those levels are identical to last January's and more favorable than January, 1988's. Perhaps most important, they exhibit no deterioration from October on a seasonally adjusted basis.

70X

TABLE 19

CURRENT INVENTORY SATISFACTION

INVENTORY LEVEL	1988 JAN. %	1989 JAN. %	1990 JAN. %		1990 APR. %	1990 JULY %	1990 OCT. %	1991 JAN. %
TOO LARGE	17	12	13		10	11	13	13
ABOUT RIGHT	47	55	55		58	57	56	56
TOO LOW	12	10	9		10	9	10	9
NOT APPLIC.	23	21	21		18	21	18	20
NO ANSWER	2	1	2		4	2	3	2
TOTAL	100	100	100		100	100	100	100

Small business owners continue to approach inventories cautiously. With sales expected to be weak in the next three months, they are in no rush to build up inventories. Eighteen (18) percent planned net inventory additions in the coming quarter compared to 15 percent who planned net decreases (Table 20). Since the first quarter is normally a time for inventory building, the +2 percent (percent planning increases minus percent planning decreases) is a poor number. The last time plans fell that low was in 1982.

Capital Expenditures

Capital expenditures and plans to make capital expenditures eroded between October and January. However, both held up reasonably well given the state of the economy. Capital expenditures appear to be a priority for small business owners, at least when compared to the 1970s. Thus, they probably will remain at higher levels than during recent recessions.

Fifty-four (54) percent reported making one or more capital expenditures in the last three to six months (Table 21). Fewer small business owners made expenditures for equipment and vehicles compared to either October (43% vis-a-vis 47%) or January one year ago (43% vis-a-vis 48%). The same was true of improvements to buildings. Land purchase and addition of buildings remained fundamentally unchanged, though at historically low levels.

Despite the lower frequency of capital expenditures, the size distribution of those remaining appeared largely unchanged from October's report. In fact, the recession seems to have had a greater impact on relative frequency than on relative size. Twenty-one (21) percent of all capital expenditures reported in January were \$50,000 or greater; 40 percent were under \$10,000 (Table 22). One year ago, 22 percent of reported capital expenditures were over \$50,000 and 41 percent were under \$10,000.

TABLE 20

NET INVENTORY CHANGE PLANNED IN NEXT QUARTER

PLANNED INVENTORY CHANGE	1988 JAN. %	1989 JAN. %	1990 JAN. %		1990 APR. %	1990 JULY %	1990 OCT. %	1991 JAN. %
ADD	23	22	22		19	17	15	18
NO CHANGE	42	43	43		47	47	47	43
DECREASE	11	12	13		12	13	19	15
NOT APPLIC.	21	22	17		15	17	15	16
NO ANSWER	2	3	5		7	6	7	6
TOTAL	100	100	100		100	100	100	100

TABLE 21

PERCENTAGES MAKING CAPITAL EXPENDITURES IN LAST SIX MONTHS

TYPE OF EXPENDITURE	1988 JAN. %	1989 JAN. %	1990 JAN. %		1990 APR. %	1990 JULY %	1990 OCT. %	1991 JAN. %
ALL TYPES*	55	57	57		55	55	56	54
- EQUIPMENT, VEHICLES	45	49	48		46	46	47	43
- ADDED BUILDINGS	8	7	5		6	6	6	6
- IMPROVED BUILDINGS	15	14	17		16	16	17	15
- LAND	6	4	4		4	3	3	3

* percentage of firms making one or more capital expenditures

Plans to make one or more capital expenditures in the next three to six months eroded modestly from October. Twenty-seven (27) percent held such plans, the same raw number as in October (Table 23). Seasonal adjustment pushed January's number lower. It was the fourth consecutive quarterly decline, and propelled plans to 1982 levels.

TABLE 22

CAPITAL EXPENDITURES MADE IN LAST SIX MONTHS
BY SIZE OF TOTAL EXPENDITURES

AMOUNTS EXPENDED (\$1,000s)	1988 JAN. %	1989 JAN. %	1990 JAN. %		1990 APR. %	1990 JULY %	1990 OCT. %	1991 JAN. %
UNDER 1	6	6	5		7	6	5	7
1-4	19	22	21		21	21	21	19
5-9	11	13	15		14	14	15	14
10-19	21	22	19		20	18	22	20
20-49	19	18	18		19	19	18	19
50-99	10	9	10		9	10	8	10
100-499	9	8	10		9	9	9	8
500-999	1	1	1		1	1	1	1
1,000+	1	4	1		*	1	1	2
TOTAL	100	100	100		100	100	100	100

TABLE 23

EXPECTED CAPITAL EXPENDITURES
IN NEXT THREE TO SIX MONTHS

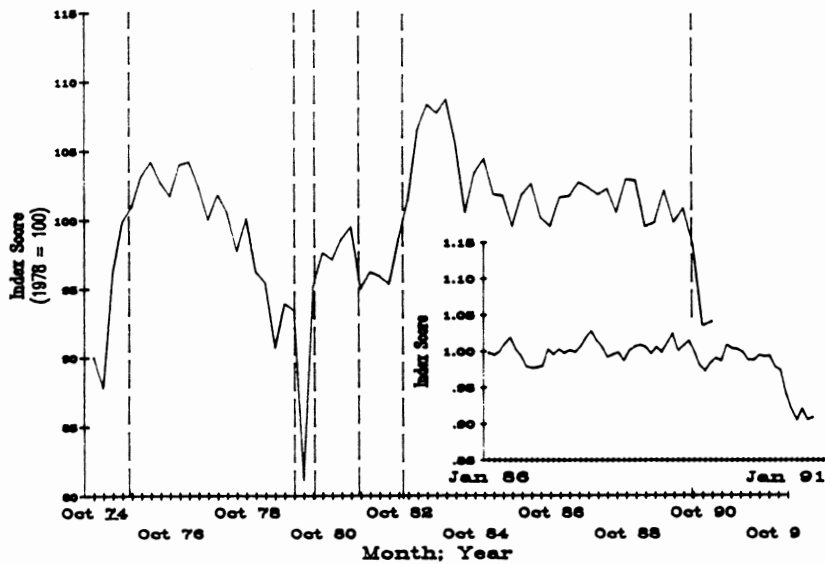
EXPECTED CAPITAL EXPENDITURES	1988 JAN. %	1989 JAN. %	1990 JAN. %		1990 APR. %	1990 JULY %	1990 OCT. %	1991 JAN. %
YES	35	36	35		32	29	27	27
NO	50	48	50		52	57	59	58
DON'T KNOW	11	13	12		12	11	11	12
NO ANSWER	4	3	3		3	3	3	3
TOTAL	100	100	100		100	100	100	100

Index of Small Business Optimism

The Index of Small Business Optimism slid laterally in January (Chart 4). After seasonal adjustment, it was virtually unchanged from October, November, or December (Inset, Chart 4). January's 92.6 Index level places current small business optimism at its lowest level since April, 1980. (October's virtually identical level, 92.3, was the exception.) Moreover, the Index forecasts that the recession has at least three months left, and probably more.

All three Index components were sharply lower than they were last January or in the preceding two January's (Table 24). The substantial difference signifies broad difficulties in the small business population with few prospects for immediate change.

CHART 4
INDEX OF SMALL BUSINESS OPTIMISM



74X

TABLE 24

INDEX OF SMALL BUSINESS OPTIMISM
BY MAJOR COMPONENTS

INDEX COMPONENTS	1988 JAN.	1989 JAN.	1990 JAN.		1990 APR.	1990 JULY	1990 OCT.	1991 JAN.
GENERAL EXPECTATIONS ¹	108.5	110.5	109.3		114.4	105.0	89.3	97.3
CURRENT STATUS ²	103.0	104.3	100.0		101.3	103.0	98.7	94.0
SPENDING PLANS ³	120.3	119.7	118.3		118.7	113.0	107.0	111.0
INDEX ⁴	110.4	111.4	109.2		111.9	106.8	97.4	100.4
INDEX ⁵ 1978=100	101.8	102.8	100.7		100.8	98.2	92.3	92.6

1 expected business conditions, climate for expansion, expected real sales volume, expected credit conditions

2 current job openings, current inventory satisfaction, change in net earnings

3 plans to hire, make capital expenditures, add to inventories

4 index numbers

5 seasonally adjusted

Single Most Important Problem

Small business owners cited "Taxes" more frequently, as their single most important problem, than any other problem. Twenty-five (25) percent, one in four, noted "Taxes," a two percent point increase from October. The increase could have been in response to last fall's Federal tax increase. More likely, it is tied to publicity surrounding proposals in many states to close projected deficits through hefty revenue increases. January's assessment represented the 34th consecutive quarter that "Taxes" headed the problem list.

"Government Regulation(s)/Red Tape" drew the second greatest number of cites at 17 percent. The third most frequently mentioned problem was "Poor Sales." (See, Sales.) Fifteen (15) percent noted the problem. Yet, January's level was just one percentage point higher than October's. A larger jump in the number citing "Poor Sales" was the three percentage point rise between last July and October. The slowdown in the increase of owners noting poor sales is good news. It suggests that the worst of the sales declines are over and that the recession is falling no deeper.

Both the cost and quality of labor have eased as single most important problems over the last six months. This change is a natural response given a slowing demand for workers. (See, Em-
ployment.)

Just six percent pointed to "Interest Rates & Financing" as their single most important problem. January's figure was the same as October's. In fact, the last six quarterly reports have found either six or seven percent citing "Interest Rates & Financing." As recently as July, 1989, 10 percent believed it their single most important problem. These data counter claims to the existence of a "credit crunch." How does a severe credit pinch exist when fewer small business owners cite "Interest Rates & Financing" as their single most important problem than cited it a year and one-half ago when reports of a problem were non-existent? While the number of anecdotal reports about credit shortages cannot be discounted, evidence of a broad problem cannot be found here. (See, Credit
Conditions.)

TABLE 24

SINGLE MOST IMPORTANT PROBLEM

SINGLE MOST IMPORTANT PROBLEM	1990 APR. RANK	APR. %	1990 JULY RANK	JULY %	1990 OCT. RANK	OCT. %	1991 JAN. RANK	JAN. %
TAXES	1	23	1	23	1	23	1	25
INFLATION	8	4	8	4	7	6	8	4
POOR SALES	3	10	3	11	3	14	3	15
INTEREST RATES & FINANCING	6	7	7	7	6	7	6	6
COST OF LABOR	6	7	6	8	8	5	7	5
GOVT. REG(S)/ RED TAPE	2	18	2	18	2	17	2	17
COMPETITION/ LARGE BUS.	4	9	5	9	4	9	4	9
LABOR QUALITY	4	9	4	10	4	9	5	7
SHORTAGE OF FUEL, MATERIAL	9	*	9	*	9	*	9	*
OTHER;N/A	-	13	-	10	-	10	-	11
TOTAL	-	100	-	100	-	100	-	100

Inflation did not appear to be a serious concern, either. Only four percent offered it as their single most important problem, the same number which have offered it, with a single exception, over the last eight quarters. The exception, which occurred in October, no doubt was in response to the spike in world oil prices. (See, Prices.)

Regional Conditions

Small business activity in all regions has fallen sharply since July, ending the idea that a perpetual rolling recession will replace periodic national ones. No region has been spared. While regionality continues to exist in the sense that small business owners in some parts of the country face more difficult conditions than those in other parts, small business owners across the country have been impacted.

New England small business is suffering particularly in this recession. January proved the eighth consecutive quarter in which New England's Index of Small Business Optimism fell below the national average (Chart 5). Worse, the region's Index as a percent of the national Index was the lowest for any region in any quarter of the survey's 17 year history. Only the West South Central's performance in April and July, 1986, are comparable. Thus, small business owners in New England are not only pessimistic absolutely, they are pessimistic relatively.

Optimism did rise in some parts of the country. Owners in the Mid-Atlantic, South Atlantic, East South Central and Great Lakes produced better Indices, after seasonal adjustment, in January than in October (Charts 5 and 6). They built on relatively different bases -- the Mid-Atlantic relatively low and the Great Lakes relatively high. However, all gains were marginal. No region appeared to be jumping ahead of the others.

All regions west of the Mississippi River were relative losers (Charts 6 and 7). Their Indices fell after seasonal adjustment. They were more likely than regions in the East to start from a similar position. But just as those regions where gains occurred, the changes were modest.

War in the Middle East

Respondents to the January survey were divided into two groups to determine what impact the onset of hostilities in the Middle East had on small business. Those whose questionnaires were postmarked January 16 or earlier were placed in the "before" group (n=2031) and those whose questionnaire was postmarked January 17 or later were placed in the "after" group (n=327). The results were tabulated separately.

The war seems to have had some effect on small business. Little or no difference existed on most indicators of small business activity among those owners responding before the start of the war and after it began. Reports on past activity were virtually identical among the two groups as they should have been; their assessments of

REGIONAL INDICES OF SMALL BUSINESS OPTIMISM
AS A PERCENTAGE OF THE NATIONAL INDEX

CHART 5
NEW ENGLAND, MID-ATLANTIC, SOUTH ATLANTIC REGIONS

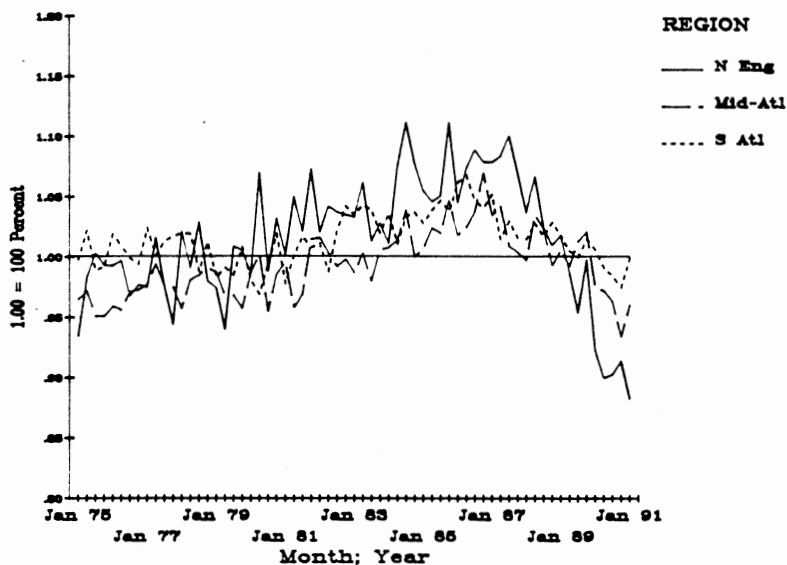


CHART 6
GREAT LAKES, EAST SOUTH CENTRAL, PLAINS REGIONS

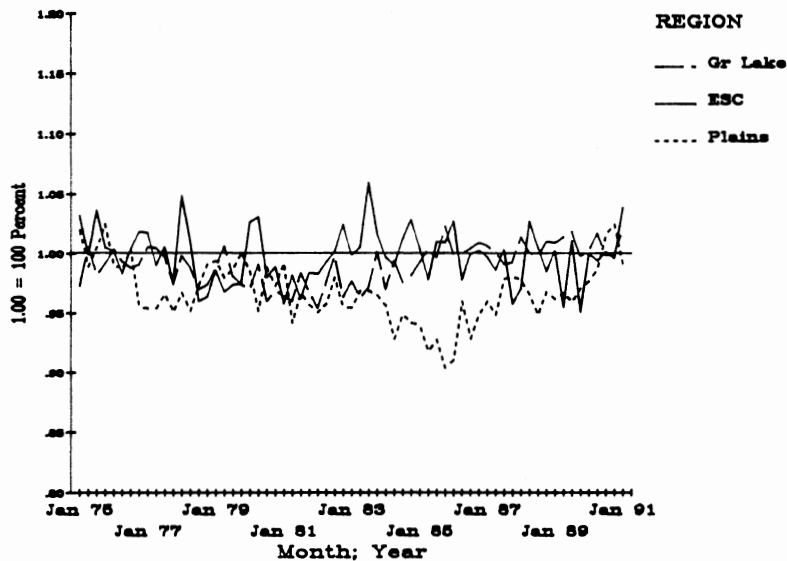
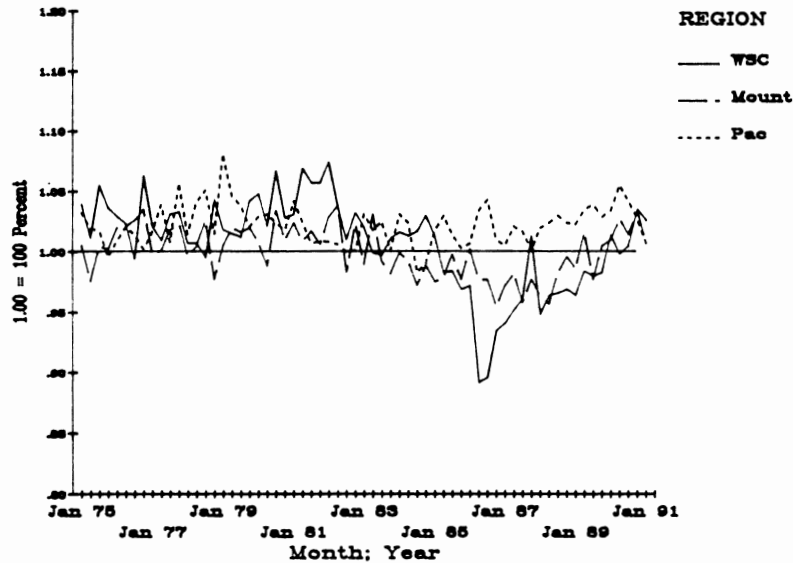


CHART 7
WEST SOUTH CENTRAL, MOUNTAIN, PACIFIC REGIONS



current conditions were also alike. But four major differences arose. Of those three, the largest and most significant was the improved outlook for future general business conditions. One percent more of those responding before the war thought conditions would deteriorate rather than thought they would improve in the next three to six months. Sixteen (16) percent more of those responding after the war started thought conditions would improve rather than thought they would deteriorate. The net 17 percent shift was so large that very little likelihood exists that it is a chance event.

The shift in outlook over general business conditions was reinforced by a smaller move on the current climate for small business expansion. The percent who evaluated the current climate positively was practically the same in both groups. But among the group responding after the war started seven percent moved from negative evaluations and slipped into the uncertain category.

The improved outlook in turn appeared to impact specific plans. Those responding after January 16 were eight percentage points more likely to report plans to increase inventories; they were also five percentage points more likely to report plans to increase employment. However, they were no more optimistic about sales than were those in the group responding on the 16th or before.

The reason for the changed sentiment is probably tied to action or movement. Small business owners are likely to see any decisive change as offering direction. When starting from a poor position, direction and leadership are seen as good. Moreover, their views probably reflect the early, highly optimistic assessments for the war's brief duration and positive outcome.

APPENDIX

Table A-1
Description of Industry Classification

<u>Industry</u>	<u>Industry Examples</u>
Construction	Construction (building contractors-general, painting, carpentry, plumbing, heating, electrical, highway and bridge, etc.)
Manufacturing/ Mining	(Includes dairy processor, printer, publisher machine shop, oil field service, etc.)
Transportation/ Communication	Truckers, movers, warehouse, travel agent, broadcasters, public utilities
Wholesale	(Includes manufacturer's representative, grain elevator, distributor)
Retail	(Includes service station, restaurant, bar, clothing store, flower shop)
Agriculture	Veterinarian, forestry, fishing, nursery
Financial Services	Finance, insurance, real estate
Services	Beauty salon, garage, motel, repair service, bookkeeper, photographer, funeral director, credit bureau, laundry
Professional Services	Physician, dentist, engineer, architect, accountant, nursing home operator, lawyer

Table A-2
Definition of Regions

<u>Region</u>	<u>States</u>
New England	Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont
Mid-Atlantic	New Jersey, New York, Pennsylvania
Great Lakes Plains	Illinois, Indiana, Michigan, Ohio, Wisconsin, Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, South Dakota
South Atlantic	Delaware, Florida, Georgia, Maryland, North Carolina, South Carolina, Virginia, West Virginia (includes Washington, DC)
East South Central	Alabama, Kentucky, Mississippi, Tennessee
West South Central	Arkansas, Louisiana, Oklahoma, Texas
Mountain	Arizona, Colorado, Idaho, Montana, Nevada, New Mexico, Utah, Wyoming
Pacific	Alaska, California, Hawaii, Oregon, Washington

Table A-3
Profile of Respondents

<u>Industry</u>	<u>Percent</u>	<u>Number</u>
Construction	16	370
Manufacturing	14	324
Transportation/Communication	3	89
Wholesale	8	177
Retail	26	603
Agriculture	5	127
Financial Services	7	170
Service	14	329
Professional Services	7	169
No Answer	*	0
Total	100	2358

<u>Employee Size</u>	<u>Percent</u>	<u>Number</u>
1 - 2	16	385
3 - 5	29	693
6 - 9	20	479
10 - 14	12	278
15 - 19	6	132
20 - 39	8	193
40 or More	8	176
No Answer	1	22
Total	100	2140

<u>Region</u>	<u>Percent</u>	<u>Number</u>
New England	6	133
Mid-Atlantic	11	263
South Atlantic	11	263
Great Lakes	20	459
East South Central	5	117
West South Central	10	245
Plains	13	315
Mountain	9	203
Pacific	15	356
Total	100	2140

32X

NFIB QUARTERLY ECONOMIC SURVEY

Please circle the appropriate answers or fill in the blanks.

1. What is your form of business organization?

<input type="checkbox"/> 1 Proprietorship	<input type="checkbox"/> 2 Partnership	<input type="checkbox"/> 3 Corporation	1
---	--	--	---

2. Please classify your major business activity, using one of the categories of examples below. (If more than one applies, circle **the one** which contributes the most toward your gross sales or total revenues.)

<input type="checkbox"/> 1 Construction (general contractor, painting, carpentry, plumbing, heating, electrical, highway, <i>etc.</i>)			
<input type="checkbox"/> 2 Manufacturing and mining (including dairy processor, printer, publisher, <i>etc.</i>)			
<input type="checkbox"/> 3 Transportation, travel agency, communication, public utilities (truckers, movers, broadcasters, <i>etc.</i>)			
<input type="checkbox"/> 4 Wholesale (including grain elevator, livestock dealer, distributor of equipment, manufacturer's rep., <i>etc.</i>)			2
<input type="checkbox"/> 5 Retail (including service station, restaurant, bar, radio and TV store, drug store, florist, apparel, <i>etc.</i>)			
<input type="checkbox"/> 6 Agriculture, veterinarian, forestry, landscaping, fisheries, <i>etc.</i>			
<input type="checkbox"/> 7 Financial, insurance, real estate, bank, savings & loan, <i>etc.</i>			
<input type="checkbox"/> 8 Beauty salon, barber shop, garage, motel, hotel, repair service, bookkeeping service, photographer, funeral director, rental agency, credit bureau, laundry, <i>etc.</i>			
<input type="checkbox"/> 9 Physician, dentist, attorney, engineer, architect, accountant, skilled nursing care facility, <i>etc.</i>			
<input type="checkbox"/> 10 Other (please describe) _____			

3. What is the single most important problem facing your business today? (Please circle only **ONE** of the following):

<input type="checkbox"/> 1 Taxes	<input type="checkbox"/> 4 Interest rates & financing	<input type="checkbox"/> 8 Quality of labor	
<input type="checkbox"/> 2 Inflation	<input type="checkbox"/> 5 Cost of labor	<input type="checkbox"/> 9 Shortage of fuels, materials or goods	3
<input type="checkbox"/> 3 Poor sales	<input type="checkbox"/> 6 Government regulation(s) & red tape	<input type="checkbox"/> 0 Other _____	
	<input type="checkbox"/> 7 Competition from large businesses	(please explain)	

4. Do you think the **next three months** will be a good time for small business to expand substantially?

<input type="checkbox"/> 1 Yes	<input type="checkbox"/> 2 No	<input type="checkbox"/> 3 Uncertain	4
--------------------------------	-------------------------------	--------------------------------------	---

4a. Why? (Circle **ONE** answer – **most important reason**)

<input type="checkbox"/> 1 Economic conditions	<input type="checkbox"/> 3 Financing & interest rates	<input type="checkbox"/> 5 Other _____	
<input type="checkbox"/> 2 Sales prospects	<input type="checkbox"/> 4 Cost of expansion	(please explain)	5

5. About the economy in general, do you think that **six months from now** general business conditions will be better than they are now, about the same, or worse?

<input type="checkbox"/> 1 Much better	<input type="checkbox"/> 3 About the same	<input type="checkbox"/> 5 Much worse	
<input type="checkbox"/> 2 Somewhat better	<input type="checkbox"/> 4 Somewhat worse	<input type="checkbox"/> 6 Don't know	6

6. During the last 3 months or calendar quarter, what were your gross sales or revenues?

<input type="checkbox"/> 1 Under \$12,500	<input type="checkbox"/> 3 \$25,000-49,999	<input type="checkbox"/> 5 \$87,500-199,999	<input type="checkbox"/> 7 \$375,000-749,999	
<input type="checkbox"/> 2 \$12,500-24,999	<input type="checkbox"/> 4 \$50,000-87,499	<input type="checkbox"/> 6 \$200,000-374,999	<input type="checkbox"/> 8 \$750,000 or more	7

6a. During the **last calendar quarter**, was your dollar sales volume higher, lower, or about the same as it was **for the quarter before**?

<input type="checkbox"/> 1 Much higher	<input type="checkbox"/> 2 Higher	<input type="checkbox"/> 3 About the same	<input type="checkbox"/> 4 Lower	<input type="checkbox"/> 5 Much lower	8
--	-----------------------------------	---	----------------------------------	---------------------------------------	---

6b. If higher or lower, by approximately what percentage?

<input type="checkbox"/> 1 Less than 6%	<input type="checkbox"/> 3 11%-15%	<input type="checkbox"/> 5 21%-25%	<input type="checkbox"/> 7 36%-50%	
<input type="checkbox"/> 2 6%-10%	<input type="checkbox"/> 4 16%-20%	<input type="checkbox"/> 6 26%-35%	<input type="checkbox"/> 8 51% or more	9

7. Were your net earnings or "income" (after taxes) from your business during the **last calendar quarter** higher, lower, or about the same as they were **for the quarter before**?

<input type="checkbox"/> 1 Much higher	<input type="checkbox"/> 2 Higher	<input type="checkbox"/> 3 About the same	<input type="checkbox"/> 4 Lower	<input type="checkbox"/> 5 Much lower	10
--	-----------------------------------	---	----------------------------------	---------------------------------------	----

7a. If higher or lower, by approximately what percentage?

<input type="checkbox"/> 1 Less than 6%	<input type="checkbox"/> 3 11%-15%	<input type="checkbox"/> 5 21%-25%	<input type="checkbox"/> 7 36%-50%	
<input type="checkbox"/> 2 6%-10%	<input type="checkbox"/> 4 16%-20%	<input type="checkbox"/> 6 26%-35%	<input type="checkbox"/> 8 51% or more	11

83x

Tb If higher or lower what is the **most important reason**? (Circle only **ONE**)

- | | | | |
|--|---|--|----|
| <input type="checkbox"/> Sales volume | <input type="checkbox"/> Availability of materials | <input type="checkbox"/> Financing costs | 12 |
| <input type="checkbox"/> Labor costs | <input type="checkbox"/> Received higher prices for your product or service | <input type="checkbox"/> Usual seasonal change | |
| <input type="checkbox"/> Cost of materials | | <input type="checkbox"/> Other _____ | |
- (Specify)

8. Overall, what do you expect to happen to the real **volume** (number of units) of goods and/or services that you will sell during the **next three months**?
- | | | | |
|---|---|--|----|
| <input type="checkbox"/> Go up a lot | <input type="checkbox"/> Stay the same | <input type="checkbox"/> Go down a lot | 13 |
| <input type="checkbox"/> Go up a little | <input type="checkbox"/> Go down a little | <input type="checkbox"/> Don't know | |

9. How are your average selling prices now compared to three months ago?
- | | | | | |
|------------------------------------|--|-------------------------------------|-------------------------------------|----|
| <input type="checkbox"/> Lower now | <input type="checkbox"/> No difference | <input type="checkbox"/> Higher now | <input type="checkbox"/> Don't know | 14 |
|------------------------------------|--|-------------------------------------|-------------------------------------|----|

- 9a. If **higher or lower**, by what percent, on an average?
- | | | | | | |
|---------------------------------------|-----------------------------------|-----------------------------------|--------------------------------------|-------------------------------------|----|
| <input type="checkbox"/> Less than 1% | <input type="checkbox"/> 2.0-2.9% | <input type="checkbox"/> 4.0-4.9% | <input type="checkbox"/> 8.0-9.9% | <input type="checkbox"/> Don't know | 15 |
| <input type="checkbox"/> 1.0-1.9% | <input type="checkbox"/> 3.0-3.9% | <input type="checkbox"/> 5.0-7.9% | <input type="checkbox"/> 10% or more | | |

10. In the **next three months**, do you plan to **change** the average selling prices of your goods and/or services?
- | | | | | |
|--|--|------------------------------------|-------------------------------------|----|
| <input type="checkbox"/> Yes, raise prices | <input type="checkbox"/> Yes, lower prices | <input type="checkbox"/> No change | <input type="checkbox"/> Don't know | 16 |
|--|--|------------------------------------|-------------------------------------|----|

- 10a. If raise or lower, by what percent, **on average**?
- | | | | | | |
|---------------------------------------|-----------------------------------|-----------------------------------|--------------------------------------|-------------------------------------|----|
| <input type="checkbox"/> Less than 1% | <input type="checkbox"/> 2.0-2.9% | <input type="checkbox"/> 4.0-4.9% | <input type="checkbox"/> 8.0-9.9% | <input type="checkbox"/> Don't know | 17 |
| <input type="checkbox"/> 1.0-1.9% | <input type="checkbox"/> 3.0-3.9% | <input type="checkbox"/> 5.0-7.9% | <input type="checkbox"/> 10% or more | | |

11. How many employees do you have full and part-time **including yourself**?
- | | | | | |
|------------------------------|------------------------------|--------------------------------|-------------------------------------|----|
| <input type="checkbox"/> One | <input type="checkbox"/> 3-5 | <input type="checkbox"/> 10-14 | <input type="checkbox"/> 20-39 | 18 |
| <input type="checkbox"/> Two | <input type="checkbox"/> 6-9 | <input type="checkbox"/> 15-19 | <input type="checkbox"/> 40 or more | |

12. During the **last three months**, did the **total** number of employees in your firm increase, decrease, or stay about the same?
- | | | | |
|--|--|--|-------|
| <input type="checkbox"/> Increased by ____ employee(s) | <input type="checkbox"/> Decreased by ____ employee(s) | <input type="checkbox"/> Stayed the same | 19-21 |
|--|--|--|-------|

- 12a. If the **total number** of employees increased or decreased, was this change due primarily to **seasonal factors** affecting your business?
- | | | |
|------------------------------|-----------------------------|----|
| <input type="checkbox"/> Yes | <input type="checkbox"/> No | 22 |
|------------------------------|-----------------------------|----|

13. In the **next three months**, do you expect to increase or decrease the total number of people working for you?
- | | | | |
|-----------------------------------|--|-----------------------------------|----|
| <input type="checkbox"/> Increase | <input type="checkbox"/> Keep the same | <input type="checkbox"/> Decrease | 23 |
|-----------------------------------|--|-----------------------------------|----|

14. Do you have any job openings that you are **not** able to fill right now?
- | | | |
|---|--|----|
| <input type="checkbox"/> Yes, for skilled labor | <input type="checkbox"/> Yes, both skilled and unskilled labor | 24 |
| <input type="checkbox"/> Yes, for unskilled labor | <input type="checkbox"/> No | |

- 14a. If you have any openings, about how long have these jobs been available? (Circle **ONE** category which best describes your overall situation):
- | | | |
|--|---|----|
| <input type="checkbox"/> Less than one month | <input type="checkbox"/> Three months, but less than six months | 25 |
| <input type="checkbox"/> One month, but less than three months | <input type="checkbox"/> Six months or more | |

15. During the last three months, did you increase or decrease your inventories?
- | | | | | |
|-----------------------------------|---|-----------------------------------|--|----|
| <input type="checkbox"/> Increase | <input type="checkbox"/> About the same | <input type="checkbox"/> Decrease | <input type="checkbox"/> Not appropriate | 26 |
|-----------------------------------|---|-----------------------------------|--|----|

- 15a. If increase or decrease, by approximately what percent?
- | | | | | |
|---------------------------------------|----------------------------------|----------------------------------|--------------------------------------|----|
| <input type="checkbox"/> Less than 6% | <input type="checkbox"/> 11%-15% | <input type="checkbox"/> 21%-25% | <input type="checkbox"/> 36%-50% | 27 |
| <input type="checkbox"/> 6%-10% | <input type="checkbox"/> 16%-20% | <input type="checkbox"/> 26%-35% | <input type="checkbox"/> 51% or more | |

16. At the present time, do you feel your inventories are too large, about right, or inadequate?
- | | | | | |
|------------------------------------|--------------------------------------|----------------------------------|--|----|
| <input type="checkbox"/> Too large | <input type="checkbox"/> About right | <input type="checkbox"/> Too low | <input type="checkbox"/> Not appropriate | 28 |
|------------------------------------|--------------------------------------|----------------------------------|--|----|

- 16a. Looking ahead to the next three to six months, do you expect, on balance, to add to your inventories, keep them about the same, or decrease them?
- | | | | | |
|------------------------------|--|-----------------------------------|--|----|
| <input type="checkbox"/> Add | <input type="checkbox"/> Keep the same | <input type="checkbox"/> Decrease | <input type="checkbox"/> Not appropriate | 29 |
|------------------------------|--|-----------------------------------|--|----|

(See next page)

84X

17. If you borrow money regularly (at least once every 3 months) as part of your business activity, how does the rate of interest payable on your most recent loan compare with that paid *three months ago*?

1 Much higher 3 Same 5 Much lower 7 Inapplicable, do not borrow regularly 30
 2 Higher 4 Lower 6 Don't know

17a. Are these loans easier or harder to get than they were *three months ago*?

1 Easier 2 Same 3 Harder 4 Don't know 31

17b. Do you expect to find it easier or harder to obtain your required financing during the *next three months*?

1 Easier 2 Same 3 Harder 4 Don't know 32

18. If you borrowed within the last three months for business purposes, and the loan maturity (pay back period) was 1 year or less, what interest rate did you pay? _____ % or Prime + _____ 33-35

19. During *the last 6 months* has your firm made any capital expenditures to improve or purchase equipment, buildings, or land? (Check all that apply)

Equipment, Vehicles: 1 Yes 36
Additional Buildings: 1 Yes 37
Improved Buildings: 1 Yes 38
Additional Land: 1 Yes 39

19a. *If yes*, what was *the total cost* of these projects (i.e. total purchase price)?

1 under \$1,000 4 \$10,000-19,999 7 \$100,000-499,999 40
 2 \$1,000-4,999 5 \$20,000-49,999 8 \$500,000-999,999
 3 \$5,000-9,999 6 \$50,000-99,999 9 \$1 million or more

20. Looking ahead to the next three to six months, do you expect to make any capital expenditures for plant and/or physical equipment?

1 Yes 2 No 3 Don't know 41

PLEASE DO NOT REMOVE ADDRESS LABEL
(Needed for compiling geographical and industry information)

21. Do you plan to change *average* employee compensation (wages and benefits but NOT Social Security, U.C. taxes, etc.) during the *next three months*?

1 Increase 2 Keep the same 3 Decrease 4 Don't know 42

21a. If Increase or Decrease, by what percentage on average?

1 1-2% 3 5-6% 5 9-10% 7 Don't know 43
 2 3-4% 4 7-8% 6 Over 10%

22. Over the *past three months*, did you change *average* employee compensation (wages and benefits but NOT Social Security, U.C. taxes, etc.)?

1 Increased 2 Kept the same 3 Decreased 44

22a. If Increased or Decreased, by what percentage on average?

1 1-2% 3 5-6% 5 9-10% 45
 2 3-4% 4 7-8% 6 Over 10%

23. Please indicate the geographical area that best describes the community in which your business is located:

1 A metropolitan/urban area (population of over 100,000 in city and immediate area) 46
 2 A small city (population over 15,000 but under 100,000 in city and immediate area)
 3 A rural area (population under 15,000 in city and surrounding communities)

85X

