
Committee Meeting

of

ASSEMBLY HOUSING COMMITTEE

and

ASSEMBLY COMMERCE AND MILITARY
AND VETERANS' AFFAIRS COMMITTEE

*"Testimony concerning the impact of State and
local regulations on home-based businesses"*

LOCATION: Committee Room 16
State House Annex
Trenton, New Jersey

DATE: March 10, 1997
10:00 a.m.

MEMBERS OF COMMITTEES PRESENT:

Assemblyman John V. Kelly, Cochairman
Assemblyman Joseph Azzolina, Cochairman
Assemblyman Joel Weingarten
Assemblywoman Nilsa Cruz-Perez
Assemblyman Joseph R. Malone III
Assemblyman Nicholas Asselta
Assemblyman Carmine DeSopo
Assemblyman George F. Geist
Assemblyman Sean F. Dalton
Assemblyman John S. Wisniewski



ALSO PRESENT:

Joyce W. Murray
Carrie A. Calvo
*Office of Legislative Services
Committee Aides*

Deborah K. Smarth
*Assembly Majority
Committee Aide*

Gerald Ford
John Milsop
*Assembly Democratic
Committee Aides*

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ses: 1-89 (Internet edition 1997)

ASSEMBLYMAN JOSEPH AZZOLINA (Chairman, Commerce and Military and Veterans' Affairs Committee): Good morning. This morning, we have a joint meeting of the Housing and Commerce Committees to talk about home-based businesses.

Before we start, I'd like to introduce two new members of the Commerce Committee: John Wisniewski -- is it as bad as they pronounce my name? (indicating pronunciation)

ASSEMBLYMAN WISNIEWSKI: Wisniewski.

ASSEMBLYMAN AZZOLINA: John, welcome.

He's taking Assemblyman Cohen's place.

ASSEMBLYMAN WISNIEWSKI: Thanks, Mr. Chairman.

ASSEMBLYMAN AZZOLINA: And we have Carmine DeSopo. (indicating pronunciation) He'll be here any minute. He got waylaid. He saw the Commissioner of Education down below. We were on the way up together. He'll be here in a few minutes. He's taking Assemblyman Roma's place.

ASSEMBLYMAN JOHN V. KELLY (Chairman, Housing Committee): Go ahead, continue. It's your show.

ASSEMBLYMAN AZZOLINA: Okay. Please say hello with your green tie.

ASSEMBLYMAN KELLY: Hi there, folks. I'm John Kelly, the Chairman of Assembly Housing.

ASSEMBLYMAN AZZOLINA: I thought I made a mistake. I should have had a green tie.

ASSEMBLYMAN KELLY: Thursday.

ASSEMBLYMAN AZZOLINA: Thursday is green-tie day, remember that. Thursday. Thanks.

ASSEMBLYMAN KELLY: I have everything gone green Thursday, believe me. (laughter)

ASSEMBLYMAN AZZOLINA: I know. If I can find a green jacket, I'm going to wear it.

Good morning, again. There is an increased trend toward home-based businesses. The changing nature of the economy, corporate downsizing and trimming, and other economic factors have influenced huge job creation in microbusinesses. Many are being started in the home.

Most local zoning ordinances have been on the books for years. They were geared toward protecting residential neighborhoods from the negative effects of the industry and served a purpose, since 75 percent or more of the working public worked in occupations outside their homes.

You'll recall, at that time, probably, there were a number of people trying to start a business like sewing clothes, maybe bringing in 10, 15, 20 people to a home in a residential area. I think that's what started the trend of these ordinances -- negatively, toward these home-based businesses at that time. The doctors and the lawyer can have a business in their home, but not an individual who wants to operate with a computer, and so forth.

Now, most home-based businesses do not present traffic, pollution, noise, or safety problems which industry has. As such, they should not be treated in the same way as heavy industry or commercial land use. This approach will only be a disincentive to business development in the new information age.

A lot of businesses in recent years have allowed employees to work at home -- maybe a day or two in the office and then the rest of the time at home -- because they have children, and this is one way to compensate. Probably in the environment of home, they get a lot more work done than they do in these huge offices. There are a lot of individuals who have started businesses on their own, also, working the computer, whether involved in the stock market or many, many more.

We must do everything we can to minimize government intervention. This fact-finding investigation will set the course for legislative action by the Assembly Commerce and Assembly Housing Committees to ensure regulatory flexibility, reduce fiscal impediments to business development, and protect property rights.

Right now, most of you may not know this, but in New Jersey in the past 10 years, there have been about a quarter of a million home-based businesses -- nationwide, we're talking maybe thousands and thousands-- Right now, there are about 6000 being formed a month, which is going to really double in the next few years. At 250, it will go to half a million-- So we have to prepare. We have to make sure that overzealous zoning officers don't impede this type of business, because many small businesses are started by individuals or a couple of people and then grow into larger businesses. So we hope today to find out a lot more from those who are going to appear before us.

John.

ASSEMBLYMAN KELLY: Gee, thanks, Joe. I don't know what more I can add to that. You've just about covered every base.

I do feel that the government does impede this type of business. We don't need overregulation. I really feel there are a number of one-parent families that need this type or manner of earning a living, and I see no problem with it. I wouldn't want to see a lot of traffic. I wouldn't want to see a residential area become a business area. We would definitely oppose that type of nonsense. I'm leery about what type of signs we're going to put up or if any signs should be permitted at all. But that's something for us to discuss.

I really believe that these one-parent homes need assistance. Minorities need assistance. It's a way for people to afford homes. It also eliminates the need for them for day care, which, for many people today, is extremely expensive, and I think we should consider this type of legislation.

Thank you. That's all. I'm going to listen to the professionals out there now.

ASSEMBLYMAN AZZOLINA: Brenda Hopper.

Oh, here you are.

B R E N D A B. H O P P E R: Oh, I've been waiting for a few minutes. I'm watching around the room. I was really very nervous.

ASSEMBLYMAN AZZOLINA: Why?

MS. HOPPER: I'm always nervous at hearings.

ASSEMBLYMAN AZZOLINA: They all dress just like everybody else does.

MS. HOPPER: Well, not all. Chairman Kelly came in with a bright-green hat and that calmed my nerves. (laughter)

ASSEMBLYMAN KELLY: Just wait till Thursday, believe me. (laughter)

ASSEMBLYMAN AZZOLINA: Come back Thursday. It's guaranteed.

MS. HOPPER: Well, certainly, good morning, Chairmen Azzolina and Kelly, members of the Assembly Commerce, Military and Veterans' Affairs Committee and the Assembly Housing Committee.

My name is Brenda Hopper. I am State Director of the New Jersey Small Business Development Centers. We are a public-private educational partnership with eight regional centers located throughout the State of New Jersey and 15 affiliate offices.

The SBDC Program, as we're known, is a national program. There are over 950 offices throughout the United States, Puerto Rico, Guam, and the U.S. Virgin Islands. New Jersey was one of the eight pilot states that started the SBDC Program, and I am very pleased to be a part of it. The Program primarily provides management and technical assistance to small businesses. Many of our clients are home-based businesses. We saw over 14,000 businesses in 1996, many home-based businesses.

You will hear a number of statistics today, so I will not give you that, but there are a few that are glaring. According to stats, home-based businesses have increased from 14.9 million in 1988 to more than 27 million in 1995 -- \$427 billion are generated from these businesses. The average home-based business earns more than \$50,000 a year. Home-based businesses have 95 percent survival rates and is the fastest growing segment, especially for women and minority businesses.

In the past five years, a number of home-based businesses have come through the doors of the SBDC: from marginal craft shops to hair salons

to dress making; repair and produce businesses to very, very sophisticated, technology-savvy consultants and professional business services; from part-time, income-supplementing businesses to full-time operations employing multiple employees and/or contractors.

If you heard anything this morning that I said, listen to the statistics. It's a very growing, large, large segment of our economy. We have to address, help, assist, and make these home-based businesses feel comfortable -- comfortable enough to come out of the closet.

At the SBDC we see so many businesses that, many times, we really don't have the exact number of home-based businesses. We don't know, because they are afraid to admit that they are home based. Why are they afraid? Certainly because of zoning permits, tax implications, how to deduct the telephone, how to deduct portions of the house so that they are considered professional and legitimate businesses.

I am so pleased to see that these Committees are looking at the importance of home-based businesses and a way to assist the municipalities so that we can continue to help and assist these businesses. We talk about downsizing. We talk about corporate layoffs. We talk about people losing their jobs. We talk about welfare reform. Home-based businesses are certainly a start for many of these small-business entrepreneurs, but it's also a growth industry. Many of these businesses -- very sophisticated, very professional -- hire people.

They can assist in reducing the unemployment rate in the State of New Jersey, and more so, it can assist in welfare reform. There are several programs throughout the United States that actually assist welfare recipients

to own their own businesses, and what better way to start than to start at home and get the assistance that they need.

It is very important for the SBDC to continue to assist these businesses, and we will do that throughout the State of New Jersey. You have a list of speakers today who will talk about the importance of assisting home-based businesses. I hope that this does not fall on deaf ears. I hope that we can continue with legislation that will help and assist.

The SBDC Program, I, my entire staff, and our clients will be very happy to assist in any way possible, especially to help businesses grow. I thank you for the opportunity today. I think this is a wonderful day, and it behooves the State to continue to move in this very positive direction.

I thank you.

ASSEMBLYMAN AZZOLINA: Brenda, will you sit there one minute?

MS. HOPPER: Yes.

ASSEMBLYMAN AZZOLINA: If we have any questions-- We have a mike problem. A siren comes on when it-- (testing PA system; loud feedback) (laughter)

Okay. Are there any questions for Brenda from anyone here?

Yes.

ASSEMBLYMAN ASSELTA: I noticed, Brenda, in the brochure you handed out, one of the questions was: Does the SBDC provide loans? You don't provide any grants or loans. Do you see that as a potential resource for you if that mechanism would be created, and what would you use that money for, specifically?

MS. HOPPER: Well, certainly the SBDC does not, in its legislation, provide financing; however, the SBDC, just in 1996, packaged developed business plans and financial plans that totaled over \$13.5 million for businesses in New Jersey. So we do that very well. We package the deals. We know where to go. We know the contacts in the municipalities -- on the State level, as well as the U.S. Small Business Administration.

So even though we don't actually give loans or grants, we help people to get to the financing, which is a very important role for home-based businesses because many lenders -- commercial lenders -- will not lend to businesses. Certainly, some of the local programs will lend microloans to these businesses, and we have helped to package over \$13 million in loans.

ASSEMBLYMAN WEINGARTEN: Through the Chair.

I certainly appreciated your testimony, because I think you put your finger right on the pulse of probably the most important economic trend within New Jersey, which is the growth of small businesses and the impact that is going to have upon the economy of the State overall in many years to come.

I wonder if you could speak to what I have always perceived as two of the major bottlenecks in terms of businesses growing in our State, and that is, zoning constraints, which are faced in terms of municipalities whose zoning does not really look positively upon home-based businesses, and secondly, from a regulatory standpoint, are there any regulations out there that are imposed by the State which are detriments to start-ups?

MS. HOPPER: Well, there's always a number of regulations. I don't know offhand if they are detrimental to small businesses. I know that it's a local municipality type of issue, and it has to be addressed within the

municipality. What I think the State can do is certainly make it easier to allow the municipalities to ease the regulations.

I think the regulation problem is a perception for many local cities and towns. Many think that small businesses will suddenly have a number of cars, traffic and safety problems, and there will be signs hanging all outside in the neighborhood. That's not going to happen, only because many of those neighborhoods now house so many small businesses -- home-based businesses -- and they're doing well. They're creating jobs, even if it's a job created for themselves.

I think we have a number of experts here today -- certainly, Bernadette Tiernan -- who can address any regulatory issues that you might have, or if she knows of any. Certainly if Bernadette can't, we will try to research that and get information to the Committees as quickly as possible.

ASSEMBLYMAN WEINGARTEN: Thank you.

ASSEMBLYMAN MALONE: Mr. Chairman.

ASSEMBLYMAN AZZOLINA: Yes.

ASSEMBLYMAN MALONE: I do have some specific questions, but I'll wait until your expert people come up.

Did you ever think about doing any kind of postguidelines for home-based businesses? Since you're involved with small business -- and I think we all know of some of the concerns that home-based businesses have -- did you ever think about maybe getting involved with looking at setting up some guidelines, even if they're proposed guidelines, on how individuals or how these Committees or the State in general should look at home-based businesses? If this thing is growing as rapidly as everyone believes it is, I think

it's something that, before it gets too out of hand-- Because perception is reality in most people's minds, and I think-- I'll address certain issues as different individuals come up. That might be something you may want to take a look at, as to what we could do or your office could do to come up with some guidelines.

MS. HOPPER: Well, I think it's a wonderful idea, and certainly with the list of speakers today, we can get together and develop guidelines -- proposed guidelines -- that will hopefully ease the pain of home-based businesses coming out.

ASSEMBLYMAN IMPREVEDUTO: Thank you, Mr. Chairman.

Ms. Hopper, Joe was starting to go there when he talked about the zoning aspect, but I think we need to expand that a little bit further. The largest asset that most people own is their own home. Someone who buys a home in a zoned -- one-family zoned -- neighborhood buys it for a specific reason and pays the price to move there.

I suspect if one is doing a home-based operation such as a computer analyst or someone who doesn't get any traffic at all or basically gets a UPS delivery or a FedEx once, twice, five times a week -- it makes no difference as far as that goes -- or some other kind of business which doesn't create a parking situation, a traffic situation, let alone the signage. I guess most people can accept that and understand that. However--

When I read the *Bergen Record* article and it talked about the fact that a guy was running a carpet business out of his home, where a tractor trailer might pull up once a week and unload rolls of carpeting into the person's garage, then his employees would show up at 7:00 in the morning,

park their cars, get into the truck, and go-- People look at that as affecting that largest item that they -- that biggest asset -- own, and that's their home, in a way that may devalue the property that they own.

Quite honestly, that's the piece we need to look at. It's not whether or not-- I mean, in my town we have-- The word is professional. A professional is allowed to have-- Well, what's a professional? Is a dog groomer a professional, or is it just a lawyer or a doctor? What's the difference between an accountant and an insurance agent or a stock broker, who basically uses the telephone? Those are some questions that I have.

But I think we need to preserve the sanctity of the neighborhoods that people have chosen to move into because there were that when they moved there. We can't begin to look at changing something that most people will get up and fight against, and that's, I'm protecting my asset.

MS. HOPPER: Absolutely. Absolutely.

ASSEMBLYMAN AZZOLINA: Well, I don't believe we're talking about that type of business. I know we're not.

MS. HOPPER: And I certainly think--

ASSEMBLYMAN IMPREVEDUTO: Well, that's what I don't know, Joe.

ASSEMBLYMAN AZZOLINA: No, I don't think we're talking about that type of business.

MS. HOPPER: But I think this is what we were talking about in terms of proposed regulations and guidelines. If, as an advocate of home-based businesses, if we can come up with some guidelines that will help the municipality understand that this will not affect the value of the home, I think

we're moving in the right direction, and I think we can all work on getting that done.

ASSEMBLYMAN AZZOLINA: Okay. We're going to move on, so we get some--

Thank you very much, Brenda.

Okay. Next, is Bruce Kirchhoff, Ph.D. Bruce is a distinguished professor of entrepreneurship and Director of the Technological Entrepreneurship Program at New Jersey Institute of Technology in Newark. His prior credentials include service as Chief Economist for the U.S. Bureau of Business Administration, as Assistant Director of the Minority Business Development Agency in the U.S. Department of Commerce.

Bruce, it's all yours.

BRUCE KIRCHHOFF, Ph.D.: Thank you very much. Thank you for inviting me this morning. I welcome the opportunity to talk about this issue.

I'm going to put a little bit of, how we say, an economist's direction on this. I'd like to talk about basically-- To begin with, talk about the number of businesses in New Jersey that are home-based businesses -- one, looking at their employment contribution, their social status, and their economic contribution to the State -- and summarize with some specific recommendations.

First off, there are no reliable statistics on the number of home-based businesses. There is a lot of mythology floating about, and it's published relatively frequently, so we see it cited even by some well-known people in the country, as well as Brenda in her presentation.

Basically, you should start out with some kind of a definition of what a home-based business is, and I would suggest-- (PA system malfunctions)

ASSEMBLYMAN AZZOLINA: Air raid. (laughter) They're testing it.

DR. KIRCHHOFF: Still doesn't work.

I would suggest that we talk about a business that has a primary place of operation in the home, it's the primary source of income for at least one owner, its revenues exceed \$10,000 per year, it's independently owned, and the wage and salary income is not the primary source of revenue.

Now, the latter one eliminates a lot of home-based businesses because there are a lot of people employed by corporations who actually work out of their homes, and we can't call those home-based businesses. We can call those wage-and-salary income producers working at home.

I make that differentiation because the future impact of people who actually are running independent businesses in their home is something that I want to address as a major economic phenomenon in our society. A salaried worker working in the home doesn't have that same kind of impact of our economy.

So I take out all the salaried workers and I'm left about 8 to 9 million home-based businesses in the United States, and assuming these are distributed as the population is distributed, that means there are about 250,000 of them in New Jersey. I'm not going to go into a lot of detail of where those numbers come from but-- (PA system malfunctions)

ASSEMBLYMAN AZZOLINA: They're trying to fix it.

DR. KIRCHHOFF: You can do that when I get into too much detail, okay? (laughter)

Anyway, not all home-based businesses are full-time businesses, and we also don't know what their employment contribution is. We have no statistics on that. One thing that makes our society, I think, great but also makes us economists a little data poor is that we don't have business registration in the United States. The net result is we just simply don't know how many businesses there are in the United States. Because of that, we don't know how many employees they have. But every home-based business has one gainfully employed worker and that's the owner, so that we know there are at least 250,000 employees working in home-based businesses because that's how many businesses there are.

Owners are not defined as employees by the Department of Labor, so these people are called self-employed by the Department of Labor. Thus, New Jersey's businesses have about 250,000 self-employed people according to the Department of Labor. A few home-based businesses have paid employees. Unless the business incorporates, even the owner is not considered to be a paid employee. So this leaves us with a lot of mushiness as to about how many people are employed in home-based businesses. We simply don't know.

Furthermore, as no doubt others will testify, home-based businesses rarely hire employees. They hire contractors. The contractors themselves are other home-based businesses, so that you begin to have a compounding effect, and no one knows how to sort that out and decide how

many there are -- how many employees there are. But there are at 250,000, because there are 250,000 owners.

The social status is an important ingredient in our society, because 30 years ago, we had a society that was essentially a large, corporate-dominated society; everyone believed that. In fact, we even have some well-known books and other entertainment media around: *How to Succeed in Business Without Really Trying*, a famous play that was on Broadway in the 60s -- back again on Broadway today -- is about how one moves up in a large corporate environment. Among economists, we had John Kenneth Galbraith writing *The New Industrial State*, which was hypothesizing that we would -- had evolved into a state that was large corporations, large labor unions, and large government.

But, in fact, there has always been a small-business element in our society, and there is an ethic of independent income production that we can't deny remains a steadfast component of our society. So what we do now is we have an evolution where we're admitting that this ethic can exist, that it does exist, and we're beginning to actually show some admiration for those who start their own business or run their own business. It's a total difference -- the way we view our society -- from 30 years ago. This has resulted in a lot of people feeling confident that they can start their own businesses and doing it.

So there are a couple of things, though, that are myths. One of them is that the self-employed or home-based businesses are people who fell out of the market and are unemployed and are finding another way -- a great deal of emphasis placed upon people coming off of welfare using home-based business. A recent research that's being conducted by a group of us across the

country using a national survey suggests that is simply not true. There is no evidence that the unemployed are the major source of new business starts in the United States. Just the contrary is true.

Most new businesses are started by people who are employed, and typically they leave either employment or leave school or leave some form of gainful activity in order to start their own business. So this is a very positive move on the part of people, they're not forced into this. So the concept of unemployment being the source of new business formations is simply not correct. Actually, there is a higher proportion of new business starts among the unemployed, but the unemployed are such a small percentage of our society that it turns out to be a negligible factor in total new business starts.

Furthermore, there is a long-held mythology that small businesses fail in the first five years or at least four out of five of them do. This is simply incorrect. We do have statistical information on this that's fairly reliable, and we know that at least half of the businesses survive for eight or more years. In addition to that, we know that of those that terminate business operations or disappear from our data files that only 18 percent of all the businesses that start actually fail in eight years. So that's one out of five businesses fails in eight years, not four out of five in five years. So that we're talking about very viable business activity here. We're not talking about something that comes and goes, casually disappears, or takes creditors with it. We're talking about viable businesses that make an economic contribution.

One of the economic contributions that we can clearly identify is the tax filings with the Federal government. We know that there are about 18 to 19 million sole proprietorships filed annually, and those are paying income

tax to the Federal government and, therefore, to the State, as well. In addition, many of these businesses that are conducting taxable activity are paying sales tax, and more and more of them are paying sales tax simply because the State is getting more rigorous with taxing many of the services that are provided. So what we're talking about here are businesses that are making an economic contribution to the tax system, as well.

Most home-based businesses are also early-stage businesses newly formed. As they grow and mature, they find the home is not big enough, and they simply move out into office space or other manufacturing space. The study that was done by myself and the Director of Research for the U.S. Small Business Administration, Bruce Phillips, (phonetic spelling) several years ago-- We studied all the businesses that started in 1977 and 1978. There were 814,000 businesses started in those two years in the United States. Then, we classified these businesses by their rate of growth and also by the rate of the new innovations they brought to bear on the economy.

Only 7 percent was what we would call high-innovation businesses. Most of these, not surprisingly, were technology-based businesses, but a lot of them were service businesses. We would include business services such as business consulting and accounting as being innovative businesses because of the work they do.

The greatest contribution to overall net employment growth was actually done by businesses which we classified as low-innovation businesses. These are routine businesses, everything from barbershops to grocery stores, etc., that were -- and some manufacturing businesses, like food processing. These businesses actually created the most growth in employment in our

society over the next six years, but that's because there is five times as many of those as there are of the high-innovation businesses.

There are relatively few high-innovation businesses that are started in our society in any one year. They, however, produced the greatest increase in employment per firm, so that the high-innovation businesses are the fastest growing businesses, but there are not as many of them. So every society needs a balance of both the high-innovation businesses and the low-innovation businesses in order to grow.

In order to establish the growth -- for example, the high-technology business, a computer software firm -- you also have to have people who will build the houses that their employees will live in. You have to have people who will build the retail stores and run the retail stores to service the people who work in the high-technology businesses. That's why we have so many more low-technology businesses or low-innovation businesses that occur at the same time that we have just a relatively few high-innovation businesses.

The net result is, however, over a six-year period -- from 1978 through 1984 -- what we saw was 20 percent of all the net new jobs created in the U.S. -- and remember there's a major recession in the middle of that period of time -- 20 percent of all the net new jobs created in the U.S. were created by this one group of new businesses formed in 1977 and 1978. Now, by 1984, fully 4 percent of the total employment in the United States belonged to those businesses that were just started in 1977 and 1978. So you can see the importance of new business starts in our society. Unquestionably, the largest and most consistent source of new employment in our society are new start-ups.

Where do many of these start? Well, you guessed it. That's what you're here to talk about. They start in people's homes. That is unquestionably the place where most new businesses form and get started. Now, typically, these businesses start with the classification the Department of Labor calls less than five employees, which means zero to four employees.

That puts them in, what I would say, the category of having to run with what we call in economics low overhead, and low overhead means you can't afford to pay rent on an office building. You can't afford to pay rent on a manufacturing plant. So as a good friend of mine told me years ago, you start in your basement. You start putting your parts together and your product together in the basement, and you ship it out the backdoor. Then, when things really get good and you start making a profit, you move to your garage. Then, it takes a long time before you take on the overhead of a manufacturing plant.

I've actually started two manufacturing businesses in my life, and the one started-- I was actively involved in it for two years, and we never rented office space. We had to actually rent some space in a garage to do the assembly, but we never rented any office space for the first two years. It wasn't until-- And we broke even both years, by the way. That's because we didn't have that overhead of the office space. It wasn't until that our business actually starting doing better than \$.5 million a year in sales that we actually went out and rented office space.

Now, there are a lot of high-innovation businesses hiding in the homes of people in New Jersey. The reason we're confident of that is because we have so many professionals in engineering and science who live in New

Jersey. You can go around and you can find them -- the ones who started their businesses 10 or 15 years ago -- relatively easily. There are a lot of high-technology businesses in New Jersey today that are employing in excess of 100 people that started 15 or 20 years ago by somebody leaving-- Oh, the one that's really common is Bell Laboratories. I mean, there's just people all over this State running businesses after they left Bell Laboratories.

So we know that home-based businesses are starting now. We know one of the reasons they're starting is because there are still a lot of people with a lot of good ideas, their corporate employers don't accept them, and they say, "Okay. I'm going to go do it on my own."

I see a lot of these in the Technological Entrepreneurship Program at NJIT because we do consulting with the high-technology businesses through a State-funded -- a State- and federally funded -- program called the Manufacturing Extension Partnership in the State of New Jersey. We work with them, provide them with management, marketing, and consulting assistance. So we see these highly innovative, high-technology businesses, and almost all of them, the start-ups are in the home. They have no manufacturing plant. They have no office space. They're working out of their home.

A couple of recommendations come out of this. First is, the economic contribution of these businesses is significant and it's important. I'm glad to see you here today to consider how we can avoid inhibiting the formation of these, because formation and growth of new businesses, most of which start as home-based businesses, is vitally important to our long-term economy.

Second, we're able to access-- We want to be sure that these businesses are able to access and know about the various small-business assistance programs that are available to them, such as Brenda's program. It is vitally important that they have access to that assistance.

We also have to give them an opportunity to have a say in the design of legislation or regulations -- and this is hard enough to do, especially since most of the problems that you're going to address here, I'm sure, are with local municipal regulations or laws, not with State or Federal ones.

We have to be very careful that we don't push these businesses into some form of regulation or data collection or bureaucratic-curiosity role that will cause them to incur costs of getting started. We don't need any more start-up costs. The key point to starting a business is to keep the lowest possible fixed cost, which is one of the reasons they start in their homes. These interests, of course, have to be carefully balanced with residential neighborhood needs.

Basically, there are adverse actions that can be taken, either at the local level or at the State level, which can affect or what we call build a barrier to new business entry, and that's what has to be avoided at all costs.

Thank you very much. If you have any questions--

ASSEMBLYMAN AZZOLINA: Are there any questions?

Go ahead.

ASSEMBLYMAN MALONE: On the last part of your conversation, I think I really-- As we get into home-based businesses and we start to look at-- For example, somebody mentioned cosmetology and some other kinds of areas. We get into the need for health regulation. We get into

the need for fire exits. We get into the need for ADA regulations. We get involved in the battle between the standard storefront businesses competing with an overhead versus those businesses that are home-based businesses.

I think we have a competing interest here and a concern, as you raised in the latter part of your conversation, that we're going to have to address, because I think it can become a major concern to individuals who are, in fact, putting forth the money for this overhead. Then if we say to them, "You must do it -- meet all these regulations," yet somebody starting a business in their home does not have to meet all those regulations-- Are we getting into something maybe we don't want to get into with some of these home occupations?

DR. KIRCHHOFF: Well, you certainly raise an excellent point. I don't know the answer to these points because we all walk around, including myself, with kind of an image of what a home-based business is, and in most cases, we're wrong. That's just a flat out statement about everyone, because there--

One of the things I like to say about small businesses is that I sometimes think that the owners stay up late at night figuring out ways so that they can be totally different and we can't, in any way, categorize them for statistical purposes or for data collection at all. They drive you absolutely crazy.

ASSEMBLYMAN MALONE: I guess my concern is, I don't want to get into a situation where if we start to focus too much on these home businesses, then we end up doing to them the very thing you don't want to have done to them. You can't say to somebody on Main Street, U.S.A., "If you

have a cosmetology shop, you've got to meet all these rigorous health and safety regulations," and then we say to John Smith or Mary Doe, "You have a beauty parlor in your home, you can do anything you want."

I'm just concerned that if we start focusing too much in some ways on some things, we're going to create the same problems that you are telling us not to create. I don't know where the line is, and that's what I'm concerned about. I don't want to go back home tonight and have the number of people I know who have home businesses say, "Oh, man, now the State is going to come down on me for having a home business."

So I think as we go through this process it's very important -- and that's why I asked the question about guidelines-- There might be some things that we want to regulate or look at and other things that we have to have some concern about because, in fact, we may kill the very thing that we're trying to protect.

ASSEMBLYMAN AZZOLINA: Yes, you're absolutely right.

And I think you'll work with us on developing this legislation.

DR. KIRCHHOFF: I'll be glad to help you.

ASSEMBLYMAN AZZOLINA: Make sure we don't do that -- overkill.

Is there anybody else? (no response) Okay.

John.

ASSEMBLYMAN KELLY: Chris Hansen, President of Home Based Business Council, Incorporated.

Come on up.

C H R I S H A N S E N: (places various products on desk) I did my shopping before I got here, so if I may--

ASSEMBLYMAN AZZOLINA: What did you buy?

MR. HANSEN: Home-based businesses always make--

ASSEMBLYWOMAN CRUZ-PEREZ: My son would like that one.

ASSEMBLYMAN MALONE: Looks like the price is right.

MR. HANSEN: Yes, the price is right.

ASSEMBLYMAN IMPREVEDUTO: I'll say that car is worth \$39.

MR. HANSEN: And behind this door--

ASSEMBLYMAN MALONE: Well, that's a collectible. We'll all take one of those.

MR. HANSEN: It is. It really is. It's very old.

Good morning, Chairman Azzolina, Chairman Kelly, and members of the Joint Committees. My name is Chris Hansen. I am the founder and President of the Home Based Business Council, Incorporated; the Administrator of the Southern Monmouth County Chamber of Commerce; founder and President of M and H Office Speciality Products, which I started in my home; and former Council President and Planning Board Member from the Borough of Neptune City.

I'm here representing the Home Based Business Council, which is a nonprofit educational organization designed to promote the interest, needs, and concerns of home-based businesses in the State of New Jersey. According to our estimates, there are currently approximately 1 million people who work

full- or part-time, including telecommuters, in their homes in the State of New Jersey.

The HBBC was founded two years ago because home-based businesses are, without a doubt, the most rapidly growing segment of the economy. Right now, Linked Resources, which is a company that's been tracking home-based businesses for quite some time -- they are in New York -- estimates that 40 percent of all households nationwide have got some kind of business activity within them.

Whether you use the criteria-- As the professor before me said, anyone below \$10,000 is not really a business. That might exclude a lot of these. But currently, there is economic business activity within 40 percent of all residences in the State of New Jersey, if we are meeting the national standards or national norms.

Most all home-based businesses are family owned and operated. More than half of them are operated by women. The reasons that they do this-- I know that I will not address the economic factors that our economist did a very fine job of that, but the main reason why people operate businesses from their homes is because they want to achieve the American dream, and we all know what the American dream is, don't we? Freedom to do what you want and succeed as much as you can without harming anyone else. I think that has always been the American dream.

Home-based businesses are more than anything else a middle-class, middle-American factor. Those people who have a lot of money, who can open high-tech businesses and move into them are able to get start-up capital, so they really don't need to begin to bootstrap a business from their homes. But

home-based businesses, oftentimes, will not only start in their homes, but many of them are opting to stay there because the cost of office space is so high. It's estimated that just to have an office would cost approximately \$68,000 a year -- at least that's what an article in *The Asbury Park Press* indicated a few months ago.

There are millions -- not millions. There are thousands of home-based business opportunities. There is one book that I recently saw that said that there are 1101 businesses you can start in your home. So they are very hard to regulate.

As was referred to in the question you asked, Assemblyman Malone, how do you regulate them, what's the difference between the two of them, I think that the Home Based Business Council is working on ways to address that.

Many home-based businesses are conceived in the mind of an individual and given birth to in a bedroom, spare room, basement, or in someone's garage or even apartment. If they were able to germinate within those homes, they could grow and move out of them eventually. In the State of New Jersey, we already have enough regulations and enough legislation to deter many businesses from ever starting.

I am sure that most of you are curious about what this display is that I have before me. I'd like to address these things right now. We all know about Henry Ford, who started a home-based business. Actually, after he left work every night, he would work in his garage, and he built the Model T. Well, that's an original form of home-based business. Actually, Cyrus

McCormick, who founded International Harvester, also was a home-based business owner, but I couldn't fit a reaper on top of the desk.

Walt Disney also was a home-based business owner. As a matter of fact, Walt Disney could not get a job in the industry he had chosen, and he is quoted as having said, "When you can't find a job, you start a business." So in his uncle's garage in Los Angeles, he started what is now one of the largest corporations in the world.

Thomas Edison, many people think, was a home-based business, but he couldn't start a home-based business in New Jersey. He started a home-based business in Florida after he retired. We'll talk about that in a moment, as well.

There are some other names that-- There is a name that you may not be familiar with, a man named Chester Carlson. Chester Carlson is the man who founded the process known as xerography, which was eventually purchased by Haloid. He did that in his apartment in New York. He discovered the process, worked on it for 10 years in his apartment, before he finally sold the rights to Haloid Corporation.

There is a lady, that maybe some of you folks buy things from, called Lillian Vernon -- has one of the largest fashion catalogs in the world. She started her home-based business in her apartment in New York in 1956 and ran it there for many years.

Then, there are these folks (indicating) founders of Amway Corporation, Rich DeVos and Jay VanAndel, who started a home-based business which currently employs tens of thousands of people as 1099

home-based businesses nationwide. There are thousands of them in the State of New Jersey. All of them are valid businesses.

Then, people-- You don't really think of Intel as being a home-based business, but Robert Noyce ran the business in his kitchen until they were able to find some space that they could move into. Stephen Jobs of Apple Computer is famous for having invented the personal computer in his garage, along with Steven Wozniak.

Then we have one of the most famous home-based business owners of all time, the man who founded Microsoft, Bill Gates. He started Microsoft in his college dorm, moved it into an apartment -- actually he rented a hotel room in Albuquerque, New Mexico -- before he finally moved his home-based business to Seattle and grew it into Microsoft Corporation.

The reason why I've chosen all of these people to present to you today is that each one of these is or was originally a home-based business. They operated out of their home until such time as they were able to grow and become large employers. I think if you look here on this table (indicating), we're talking about hundreds of billions of dollars of economic activity in the United States and, literally, tens of thousands of employees -- hundreds of thousands of employees.

But if New Jersey's current zoning regulations were applied to any one of these businesses, they would not have started in New Jersey. As a matter of fact, none of them did start in New Jersey. The regulations which keep these people from doing even the start-up things say-- For example, you can't do anything in your apartment, which is what Haloid was all about. You can't use your garage or another structure, which is what Ford was all about.

You should not be able to do anything in a dormitory because that's getting State funding. You shouldn't be able to do anything in your garage as Apple has. I want to point these things out to you, because that's how pervasive current regulations already are, and we would have denied all of these companies the opportunity to grow the most dynamic economy the world has ever know. They all started as home-based businesses.

Now, I want to talk to you about a couple of people who I know who have home-based businesses right now, and they have been forced to operate in an underground economy. By underground, I don't mean illegal. They pay all of their taxes. They do all of their filings on time. If they have employees -- and I know they do have employees -- they pay them appropriately. There are no judgements against them, nothing pending as far as labor regulations.

But this lady (indicating), when a certain zoning officer saw her home address inside of her magazine that she publishes from her home -- it's not printed in her home, it's desktop published in her home-- When he saw it, he immediately sought her out. She said that she was closing her business, but I won't tell you who she is. She didn't close her business. She only changed her address to a post office box.

This company right here (indicating) is the fifth largest manufacturer of toys in the world. It started in its home. It's operated in its home, has about seven employees in its home. They don't do any manufacturing whatsoever within the home; it's all done overseas. They contract it all out. They're able to use computers and telecommunications to do all of those things.

The reason why I am thanking you for this opportunity is because we have the opportunity in New Jersey, with a very well-developed infrastructure and a great base of educational institutions and great businesses already, to make structures which enable and facilitate people to work in their homes if we can create some kind of dialogue that would allow local elected officials to embrace businesses which do not have any potential to disturb the residential character of a neighborhood.

Over 90 percent -- well over 90 percent, it's not been calculated -- of all home-based businesses have zero potential for disturbing the nature of a neighborhood. They do not create noise, traffic, pollution, or any other chemical, fire, or safety hazard. Those vast majority are subjected to exactly the same standards as a smokestack industry with tractors and trailers are subjected to. As you asked before, the same kind of standards of compliance are applied to mom and pop, who are just trying to make enough money to see to it that their kids can go to college, as are applied to major corporations.

So for this reason, we would like to encourage a dialogue to be begun, with the State Legislature starting that dialogue. We, in the Home Based Business Council, have already formed a partnership with a few Departments of State government, the League of Municipalities, and a couple of other organizations called the Partnership for Work at Home.

I gave only seven copies-- I was not aware that we were going to have such a large Committee this morning, and I only brought a few copies of my testimony this morning but also some articles that I've written. In that it tells about the Partnership for Work at Home, where we are trying to encourage municipalities to use home rule to design what their communities

should look like in the future and not some outside standards imposed upon them which would have the danger of threatening what they believe to be the correct zoning already. We'd like to see that they can be facilitated in adopting new ways to address home-based businesses within current laws or perhaps even revising those, so that the standards are not as strict.

We have conducted seminars and workshops with municipal and county leaders, planners, and officials. We are in the process of issuing guidelines for municipal leaders and for home-based businesses. Those guidelines have already been authored, but we're waiting for the Partnership for Work at Home to complete the addition of those, so that we can offer them to any elected official who would like to see them.

We will be conducting seminars for the Chambers of Commerce, county libraries, and other associations to encourage home-based business owners to operate within existing laws, and where there are existing laws that stand in their way, to contact us so that we can go to bat for them to try and change those laws to make it worthwhile for them to work there. We are even working with members of the financial community to develop specific financial packages for home-based businesses.

Every year two magazines issue a report on the home-based-business friendliness of a state, and those are *Home Office Computing* and *Entrepreneur Magazine*. New Jersey does not make it into the top 40, as far as home-based-business friendliness. There is not one city in New Jersey that ranks in the top 90 out of 110 large cities as being home-based-business friendly. We have a lot of work to do.

I don't necessarily see that it is a legislative situation. It is a home rule situation, but there are some things that we would like the Legislature to do. The State legislator can best help home-based business owners by helping municipalities to adjust their ordinances to make room for home-based businesses. This could be done in the form of matching grants, which would be directly offset by increased economic activity.

The State could help foster the guidelines which we have created that protect the residential nature of communities and allow for economic activity to take place. The State could also help remove home-based businesses from jurisdiction of land use in some areas of behavior, including State statute. Most importantly, the State can foster a dialogue which brings all parties together to create a desirable economic future for all of us.

Thank you.

ASSEMBLYMAN KELLY: I just want to ask you one question.

MR. HANSEN: Yes, sir.

ASSEMBLYMAN KELLY: Don't you have trouble with the Internal Revenue? I had a friend of mine who was a salesman. He had a hell of a time with his deduction for office space that he had in his home. In fact, he got up to the place said, "The hell with it." It wasn't worth fighting.

MR. HANSEN: Most home-based businesses cannot take the deduction for a home office because most zoning ordinances say that you cannot have a separate entrance that goes into your office, and that's one of the criteria that the IRS uses for the home office deduction.

ASSEMBLYMAN KELLY: Well, why don't we just change the criteria? I mean, we can't do that, but it would seem to me Congress should do something about that.

MR. HANSEN: Congress should. We hope that we will be speaking with Congress.

ASSEMBLYMAN KELLY: Thank you.

Maybe we'll introduce a resolution urging them to do something about that.

ASSEMBLYMAN WEINGARTEN: Mr. Hansen, I greatly appreciated your testimony because it seemed to indicate that perception that most home-based businesses are those that are "nonclean" businesses -- that is, ones that produce noise or lead to inordinate traffic congestion. It's actually the distinct minority of those that are home-based businesses.

If I understand the tenor of your comments, would you be saying that you'd be in favor of zoning reform which would basically say to the degree of which home-based business does not generate traffic or create noise or otherwise have a negative impact on the surrounding environment -- that is, businesses that are largely computer based or graphics-design based -- that you would feel that would be something which would be a worthwhile reform if that were done on a statewide basis? Do you believe that would have a positive impact in terms of business growth?

MR. HANSEN: Undoubtedly. Taking certain kinds of behavior which are nonproblematic and saying that as long as it's not going to cause these kinds of problems that they should not be in a zoning jurisdiction. I think that would be an ideal way to go about it. Would that be a positive

economic impact on the State? Without a doubt, because there are many businesses which do not grow to the next level moving out of their business because they cannot get either the capitalization for loans or insurance or other things, because technically they are illegal in their operations, and the standard financial institutions -- insurance companies, et al. -- will not necessarily support their activity.

ASSEMBLYMAN WEINGARTEN: Through the Chair.

Just to follow up on that: Is it also fair to assume that since many of these businesses therefore would be operating illegally today, if they made it be known that they are in operation as businesses, that there may, in fact, be a number of businesses that are not reporting taxes, and basically our Treasury is being robbed, because we're basically taking what would otherwise be honest citizens and turning them into tax cheats by making them go underground?

MR. HANSEN: I certainly wouldn't want to say that about the people who I represent. But I do believe that there are many areas wherein the activities -- the economic activities that could contribute to overall growth in the State are being suppressed or hidden because of the fact that there is no incentive for these people to do that.

ASSEMBLYMAN WEINGARTEN: Just a final question, through the Chair, if I may.

In terms of the earlier questions which were raised by my colleagues, which I think had much merit, I'm assuming that your organization would not be advocating either that home-based businesses in residential areas have external displays, in terms of signage, and/or would not be in

conformance with any other health or safety regulations that other businesses in the State must conform with?

MR. HANSEN: Without a doubt. You're 100 percent correct. We would not advocate any behaviors which would create problems within neighborhoods and change the residential character of a neighborhood.

But, by the same token, there are many things which currently exist which stand in the way, and we have set forth some behavioral guidelines for municipal leaders so that they can make the choice. One of the articles that was in the packet that I distributed is an article that I had published in the November issue of the League of Municipalities' magazine, which is entitled *Home Rule to the Rescue*. I believe that every municipal leader -- which I was one at one time -- has the right to determine what he or she believes the future of their town should be, not only in the way it looks, but whether or not the people in it are prosperous. I would not want to take that power away from them. I think they deserve it.

ASSEMBLYMAN WEINGARTEN: Thank you very much.

Thank you, Mr. Chair.

ASSEMBLYMAN MALONE: Point of clarification through you, Mr. Chair.

ASSEMBLYMAN KELLY: Yes.

ASSEMBLYMAN MALONE: I saw-- I guess, in listening to what you're saying, basically if a home occupation or a home business would be consistent with the general use of property that is used in a neighborhood and the behavior of individuals in the community or in that neighborhood, that's basically what you're saying, so I would not have-- There would not be-- If I

came to neighborhood X and I drove down the street, it would be virtually impossible for me to tell that there was a home business in operation in that particular home?

MR. HANSEN: That's correct.

ASSEMBLYMAN MALONE: And that's what you're advocating.

MR. HANSEN: That is correct.

ASSEMBLYMAN MALONE: Okay, I think when we talk about behavior and we talk about land-- I think the land-use issue probably, as I mentioned to you earlier, is the major issue. If people do not see a visible difference between what is the accepted norm in a residential neighborhood and the fact that a home-based business is there, I would say that the vast majority of people really don't care. I think if we could structure something that would allow the flexibility of people to have a home-based business, yet not disturb the peace, tranquility, and ambiance of a neighborhood, I think we have something.

MR. HANSEN: Yes, and that's the reason why we placed forward what we believe to be behavioral standards. Because in various zones with very wide streets and perhaps large setbacks, it would not be a problem for someone to park two vehicles. Whereas, on very small streets and there are not setbacks, there are no garages, if every house parked two vehicles in front of it, it would be a problem. But those are a local home rule issue. We're trying to say to the elected local officials, "You apply the standard, but once again, if it does not change the character of the neighborhood at all" -- does not change the character of the neighborhood -- "it should be allowed to operate."

ASSEMBLYMAN IMPREVEDUTO: Mr. Chairman, I think I was in line in the queue.

ASSEMBLYMAN AZZOLINA: Okay. Go ahead.

ASSEMBLYMAN IMPREVEDUTO: Just a quick question, because I was glad to hear what you just said.

How does one begin to define what that is? We begin to look at what look like extremely benign businesses. Somebody who is putting together a computer in his garage with his friend is a benign operation. However, the *Star Wars* package, where I think you said eight or nine employees, would be a major problem. I mean, I don't know where most folks live, but in my neighborhood, if you park eight or nine cars every morning, you could have neighbors who are going to burn your house down.

So you're looking to design this in such a way that it really becomes up to the municipality to say whether or not that belongs in that neighborhood.

MR. HANSEN: Absolutely. Galoob Toys on a five-acre lot, with plenty of parking that's not visible to anyone, would have no problem with five employees. That same business on a lot with a 50-foot frontage would be a major problem. So once again -- and that's the reason why it's a home rule issue. There is no one size fits all that would ever apply.

If you, in the leadership of your municipality, desire to allow certain kinds of things-- There are a lot of areas that still need development that you could design. If this is going to be a home-business zone within your municipality and it would encourage--

ASSEMBLYMAN IMPREVEDUTO: Well, can't you do that now?

MR. HANSEN: Pardon me?

ASSEMBLYMAN IMPREVEDUTO: Can't you do that now?

MR. HANSEN: Yes, it can be done right at this very moment.

ASSEMBLYMAN IMPREVEDUTO: So then, why are we here?

MR. HANSEN: Because it isn't being done.

ASSEMBLYMAN IMPREVEDUTO: Excuse me?

MR. HANSEN: Because it is not being done.

ASSEMBLYMAN IMPREVEDUTO: But if you're an advocate of home rule, why is it here? Why aren't you out speaking to all of the mayors?

ASSEMBLYWOMAN CRUZ-PEREZ: And go to the municipality.

MR. HANSEN: As I said, I am. I am. That's the reason why--

ASSEMBLYMAN IMPREVEDUTO: See, the problem I have with this that if it can be done-- If everything we're saying can be done right now, as we sit here--

ASSEMBLYWOMAN CRUZ-PEREZ: Through the municipalities--

ASSEMBLYMAN IMPREVEDUTO: --then, really, why are we sitting here?

ASSEMBLYMAN AZZOLINA: Not in every town. There have been a lot of abuses.

ASSEMBLYMAN IMPREVEDUTO: Well, that becomes the question.

ASSEMBLYMAN AZZOLINA: In your town in particular.

ASSEMBLYMAN IMPREVEDUTO: Absolutely. (laughter)

ASSEMBLYMAN AZZOLINA: We have to be the--

MR. HANSEN: To address that, if I may--

ASSEMBLYMAN AZZOLINA: Excuse me. Excuse me.

We have to be the catalyst to see that these things are done.

ASSEMBLYMAN IMPREVEDUTO: No, I understand, Joe, but--

ASSEMBLYMAN AZZOLINA: Whether we need regulations, rules, laws. We're going to work together with the League of Municipalities to make sure we do this right and not to be overregulated, as he said, because if you overregulate it chases business away.

We have two more. We have to keep moving, because we have a lot of speakers yet.

ASSEMBLYMAN IMPREVEDUTO: That's fine. Thank you.

ASSEMBLYMAN AZZOLINA: Just one question I have, before we move on, is: Where you had seven people at one home, if they all parked in the street, it would be a problem. But like my house, I had seven or eight cars in my parking lot when everybody was home, so my own house could take a lot of cars. Some other homes, if they park in the driveway and out of the -- then it would be no problem. I think something like that has to go--

George.

ASSEMBLYMAN GEIST: Thank you, Mr. Chairman.

Three questions: What's the reaction from the League of Municipalities?

MR. HANSEN: The League of Municipalities has been totally supportive of the work of the Home Based Business Council and the

Partnership for Work at Home, because they realize that we are completely supportive of home rule. As a matter of fact, the League of Municipalities is conducting a seminar for local elected and appointed officials, to be held on May the 20th -- I believe it is -- in Woodbridge. I and a number of other people will be on that panel to discuss this issue. So they're 100 percent behind us. They realize it is a home rule issue.

ASSEMBLYMAN GEIST: Second question: In order to have a home-based business in most homes in New Jersey, in most municipalities in New Jersey, does one need a use variance?

MR. HANSEN: Yes.

ASSEMBLYMAN GEIST: Third question, the taxation policy: Once one applies for a use variance, one is, in a sense, waving a signal to the tax assessor about a potential tax implication. What are your comments on taxation policy as a way of promoting home-based businesses?

MR. HANSEN: We have proposed a three-tiered position with regard to home-based businesses in zoning, the first one being below a certain behavioral criteria. As Assemblyman Malone has said, if you can't see it, smell it, taste it, leave 'em alone -- that is the vast majority, let's say, 75 percent or 80 percent.

Then you may have some that would either, *A*, have employees or, *B*, have some additional parking or, *C*, have some other kind of thing that may be licensable or something of that sort, that the municipality would say, "At this point in time, we would request to have either a license or a permit or something else."

Then the third tier of it would be, "This is inappropriate. Let's make some structures within the community or an adjacent community so we can have incubators or transitional space for those businesses." We do not advocate that--

ASSEMBLYMAN GEIST: I'm sorry, maybe I misconstrued. Does current taxation policy discourage the formulation of home-based businesses because of the property tax assessment ramification that could arise from a home-based business enhancing the value of the residence?

MR. HANSEN: No more than if I put on an office and it had *X* number of square feet or if I put on a library and it had *X* number of square feet. There is no -- that I am aware of -- decision that has been made that this has a higher value to the same number of square feet. I believe it's all used exactly the same way.

ASSEMBLYMAN GEIST: Thank you.

MR. HANSEN: You're welcome.

ASSEMBLYMAN AZZOLINA: Okay.

ASSEMBLYMAN ASSELTA: Really quick, just to clarify a little of your organization: Is it to move home-based businesses into a larger setting, into a corporate or commercial setting? Is that one of your fundamental goals here?

MR. HANSEN: Our primary goal is to make it legal for people to do things within their homes that do not disturb the community, and that includes prosperity.

ASSEMBLYMAN ASSELTA: So, by showing us all these products today which were small people who started out in home-based businesses and

had the opportunity to grow because they were probably forced to move out of their current environment because of regulations, consequently, they grew into large corporations, employed hundreds and thousands of people, and grew the economy, you're advocating more home rule and less regulation to encourage more home-based businesses -- to make it easier for them. Do you see that being a danger for the potential of larger growth from these home-based businesses into a corporate structure?

MR. HANSEN: A danger to whom, may I ask?

ASSEMBLYMAN ASSELTA: To the current home-based business.

MR. HANSEN: No, I think that everyone is going to choose their own level. We are looking-- I think most people are looking at home-based businesses as if they were entrepreneurs. An entrepreneur is a person who goes into business with the intention of growing it big enough so they can eventually sell it.

ASSEMBLYMAN ASSELTA: Exactly, they have the dream, just like all those people have the dream. But would the relaxation of regulations stunt that dream? Because it would make it much more easy to stay where they're at, increase their revenue at a lower level and not take that jump to the next level and get into a commercial space and, all of a sudden, explode into a major business.

MR. HANSEN: I'm sure that is, without a doubt, a potential that will be exercised by some. But those people who are entrepreneurial want to grow to the point where they're making big bucks, and they cannot do that within the confines of their home. A large number of people, however, have

chosen -- they want to make an additional income and maybe it's only \$5000, \$10,000, \$20,000, \$30,000, \$50,000 a year, and they never want to go beyond that.

I know an architect friend of mine who has a home-based business and has deliberately made decisions not to add other architects, not to add employees simply because he likes being home when his kids come home.

ASSEMBLYMAN AZZOLINA: Listen, we have to move. We have six more speakers, and we've been on -- over an hour-- We have an hour left to get to six more people, so we have to limit the questions from up here and have just a couple of questions and the speakers to be shorter.

Bernadette Tiernan, President, Tiernan and Associates and Vice President, Public Affairs, New Jersey Association of Women Business Owners.

B E R N A D E T T E T I E R N A N: Good morning. Thank you very much for the opportunity to be here. I have had a business in my home, Ridgewood-- I thought that siren was the zoning czar looking for me (referring to PA system) (laughter) because I'm not supposed to say that I have a business in my home. You can only be a doctor or a lawyer and have a business in your home in Ridgewood. So I'm coming out of the closet.

ASSEMBLYMAN AZZOLINA: Could you talk louder? The mike doesn't work, so you have to talk louder.

MS. TIERNAN: Okay. I have brought for you copies of my book, *Start Smart: Your Home Based Business*, which is a homework assignment for you to set something of a foundation on how home-based businesses get started and get going.

The New Jersey Association of Women Business Owners, of which I'm the State Vice President, has a membership of about 1000 around the State of New Jersey and about 60 percent of those individuals are home based. Our President, Sandy Newman, runs a manufacturing company -- a multimillion dollar operation -- and she makes cardboard boxes, but she doesn't do that out of her home. In my home-based business, I don't manufacture cardboard boxes.

We have been, in my company, providing advice to start-ups and to growing companies for over 10 years. I also am a founder and Codirector of the Workplace Skills Training Corporation which provides bilingual training to larger companies around the State, and I'm an elected -- I was an elected delegate to the 1995 White House Conference on Small Business.

I have addressed hearings before on small business, and I have found that we're still not moving forward as quickly as we ought to. Many of the crises that home-based business owners adjust to are irrelevant for entrepreneurs who rent office space. The first time your toddler screams for your attention during a conference call or your teenager and friends blast Nirvana while you're trying to close a deal by the phone you might be somewhat shaken. But after a while, it only bothers you when the two things happen at the same time. The raging popularity of home-based businesses today, which a number of people have addressed, reflects a new paradigm. It's a shift in traditional thinking. Home-based business is now one of the fastest growing segments of the economy nationwide, at over 39 million today, with a projected growth rate of about 10 percent per year nationwide. MCI's new campaign featuring a home-based business woman shows that the corporate

market is also more interested in that SOHO -- small office-home office -- target market.

I am here to dispel the notion that home-based business owners wear fuzzy slippers and do not shower, as the MCI commercial says. I did a recent survey of about 60 small-business owners, only four said that they owned fuzzy slippers. (laughter)

I have watched-- As a trainer and an advocate for small businesses, I've tried to help people get through the rough spots and to find out how things really get done. I've found out that we do things in a kind of unusual way in home-based business. We fax, phone, and E-mail one another 24 hours a day, even though we claim that the reason we started our own business was because we wanted to have a better work schedule.

We become masters of the credit card universe because, very often, we have difficulty finding bank financing. As for zoning, many of us -- most of us -- prefer to peacefully coexist through camouflage rather than direct confrontation. So if more than ever the American dream is to be your own boss, what better place is there to build that empire than from the comfort of your own home?

For some small-business owners that is definitely a temporary step, but for many of us, this is a decision that we have made that is a permanent decision. We don't look forward to moving out to a building and renting space. We look forward to adding on and making it a bigger home-based business.

After spending 12 years as a corporate manager with a Fortune 100 company, I know what a four-hour daily commute feels like, and I opted

for more flexibility and more control over my schedule and over my clients. When I started my company, over 10 years ago, I was convinced at that point that the bridge to my future would be coming out of a home-based business.

There are three critical areas in which I believe the State of New Jersey can take immediate action to encourage the creation and growth of home-based business, and that enhances the potential for all small businesses.

The first, relax zoning regulations; the second, institute tax equity; the third, initiate support for microlending programs; and the fourth, provide incentives for flexible work styles. I'll go through these in a little more detail.

The first, relax local zoning regulations: We opened this morning with a discussion over the fact that zoning and tax regulations have not kept pace with the rapid rate of home-based business growth and that local municipalities have ordinances that prohibit -- not just discriminate against, prohibit against -- home-based businesses.

A State directive regarding home-based business would reduce, if not eliminate, many of the restrictive and discriminatory local zoning practices. I believe that the State should encourage local governments to lift restrictions on home-based business by type of business; that's the first thing. So I disagree with Chris. I think we need a proactive role from the State.

I agree that what we're talking about as the chief growth areas for home-based business -- and in putting together the research for my book, I had to keep on top of what the trends were-- The trends are the less intrusive neighborhood businesses, high-tech companies. The technology is computer, it takes up very little space. It takes up about as much room as this table if you go for all the bells and whistles.

Health care and services that are related to health care may be coordinated administratively out of a home office, but the work will be done in someone else's home. Services for other small businesses, where the small-business owner goes to the other small-business owner to fix something, do something, create something, make something.

Finally, services for major corporations that have downsized. All of those people who were outsourced and downsized and misplaced and displaced, their work still continues. There are a large number of small businesses that are providing services. They're marketing, they're training, they're providing human resources functions, they're bookkeeping, and they're accounting for corporations all over the State.

The second thing is: I think the focus of the local government should be on providing guidelines that enable home-based businesses to thrive while maintaining the quality of life in each community. As a delegate to the 1995 White House Conference, my area was home-based business. I was in the group that spent a week with representatives from all over the country talking about "What are you going to do? What are you going to do?" And we were all trying to get our issues onto the national agenda.

Well, what made it onto the national agenda was, everyone agreed we needed to reverse the *Soliman* decision, and that was where we lost the ability to deduct the home office in most circumstances. Now, there was so much emphasis on that that the whole zoning thing could not rise to the surface as a number one issue and didn't make it into the final list of 60 recommendations, but it does not mean that it was not discussed. What we came around to is that the differences and opinion on this issue of zoning are

so widespread and affect everybody around the country that nobody was willing to take the leadership role. I encourage New Jersey to take the leadership role.

I have data that I have gathered from all different states that I'll be happy to share with you to show you examples of what other cities and towns have tried to do to lift restrictions and to open their communities to be supportive of home-based business.

Our local zoning czar, Tony Merlino, (phonetic spelling) who I have become -- have had a lot of contact with-- He knows that I have a business that technically is not permitted within my home. He has also said that he has found that it's better just not to address it, because, he said, "Here's what happens if you address it. Somebody will decide that, 'Well, let's collect a registration fee. If you have to have these people, if they're not paying rent, they have to pay something into the town,'" and has discretely let things pass. Because if we start trying to track everybody down, then we'll have to register them, then we'll have to charge even more for the Chamber of Commerce, and all these additional fees. So I'm not saying that that's-- I don't want to open that can of worms either, that Chris has addressed.

From personal experience, though, I can tell you that when I wanted to make my home-based business office bigger, I had to call it a library. I was building a library or I could call it a den or I could call it a study, but I couldn't call it an office. If I wanted those plans to get approved quick, I had to call it something else. So sometimes we say, "Would you please go into the library?" -- where we get our work done. As a library, the plans went through and there was not a problem. Had I called it an office, I would have had

trouble. I also have to call my address, Post Office Box 1382 in everything that I send out. It's kind of a silly inconvenience but not really necessary.

Most recently, the Small Business Jobs Protection Act addressed some of the tax-- The second thing is the tax equity issue and tax equity. Joy Turner will talk more to the tax concerns of home-based business. But in this Small Business Jobs Protection Act, the only thing that got through for home-based business was the ability to deduct that area of your home office in which you store your supplies or products that you are selling. You can deduct that.

For those of us who go off location to do our work and who use our offices for administrative purposes, that's not much help. Because I would say in my home office, I have maybe two shelves devoted to books -- but my books are sold through bookstores. Those two shelves would be about one-one thousandth of my office space, so that tax deduction of about one-one thousandth might not really be worth the accounting time that it would take to figure it out and walk through that whole process. So that did not go far enough.

At the national level, there will be -- there have been many attempts to introduce legislation to push forward tax issues for home-based business, but they have not been able to break through. They've been incorporated onto other big packages or they've been minimized. So we still have not been able to get through what we were looking for at the 1995 White House Conference.

In my classes, I teach start-up courses. Last Saturday, I taught the first of what will be a series of several weeks of how to start a business. In the

first class we talk about your readiness to start a business. I looked, on Saturday morning, at 20 fresh, enthusiastic faces, 19 of whom wanted to start those businesses at home. Now, some of those may stay at home, some of them may grow to another building, but they all, in order to get going -- and this is a group that's being funded under Project Achieve, which is part of a new effort undertaken by the Bergen County WIB-- This group and these classes will be running all throughout the next six months, but this particular group will need the home office as their jump-off point. They couldn't do it without that.

The third thing, I mentioned the lending, the financial support. We need programs that can help start-up companies. Right now, start-ups are discriminated against. While there is a more small-business-friendly environment with many major banks, there is not the same start-up friendly environment. Because many start-ups are in the home, that means that the two things are going hand in hand.

The final thing is the flexible work styles. Here I can speak from the position of a mother of three. I have a 16-year-old, a 14-year-old, and a 10-year-old. Now, my business is 10 years old, so when I started my business they were little. My kids were young. I looked at that and I said, "Boy, isn't it great that I will have more access to my children." When I made the transition from commuting to working out of the home, I couldn't believe it. This was a whole new world. I couldn't believe the stuff that was going on during the day. I saw neighbors who I didn't even know existed. I've gotten to know people in my neighborhood now -- and we've been in the same house for 20 years -- that I only got to know--

I know now that when I volunteer my time, I'm volunteering in my community. It means a lot more to me to volunteer to help in my spare time in the place where I live and work, than it does for me to have commuted down to Bedminster, Basking Ridge, and the 287 pike from Bergen County and attempt to volunteer there. Yet, with that kind of a commute, you don't have the time to become involved in your own community. So your involvement with your children, your involvement with your community is a lot stronger, so it's a win/win situation.

I thought that as my children got older it would be less important for me to be home, and now I see, when they all march home and a group marches home with them in the middle of the afternoon, where would they be if I wasn't there? What would these kids be doing? And these are kids who are very active in sports and spend a lot of time in structured activities. So there is that check-in point. I'm not there every single day when they get home, but I'm there enough to make contact and I can be there when I have to be there, and that makes all the difference in the world. If I have to work extra hours, I can do it at night from a home office. I don't have to go out to an office.

The final thing on the employment issue: Home-based business owners often do employ other people, as well as use contractors, as well as form strategic alliances. When you talk about restrictions, the health and the safety regulations are certainly the most important thing to be fair about, but the things that I have found are the most sensitive issues for local regulations are:

The number of nonresident employees -- and I have a list of about 15 items -- noise restrictions, parking regulations, lighting, pollution and other

nuisance factors, signage -- and I mean the type, the size, and the location of signs -- the number of businesses that run out of each home -- if there are two people in the home who have two separate businesses, that can be sensitive -- the percent of floor space allotted to the business, whether products should be sold on the premise or off premise, assembly and processing, the number of clients on premise at any given time, whether the building is separate from or attached to the home, how many separate entrances, how many deliveries, and at what hours.

That seems to be the hit list of what municipalities are most concerned about, and that is where they will want their control and I believe they should have their control. Where I don't think they should have their control is at that higher level. I think that where the State can help is to say that professional offices and home occupations may be conducted as an accessory use in residential districts, subject to compliance with local municipal standards and requirements. Let local standards determine that list of 15 or so items, but let the State take the leadership role in making sure that opening is there to at least have the business.

So as a final statement I would say, please do let New Jersey take this leadership role, first of all. Second, create a model for the local municipalities that does not tie their hands but that lets them open up the doors. Third, encourage growth so that these businesses may hire other employees as well. Finally, consider that angle of parent, family, and community involvement, which benefits everybody.

Thank you.

ASSEMBLYMAN AZZOLINA: Thank you.

ASSEMBLYMAN DALTON: Mr. Chairman.

ASSEMBLYMAN AZZOLINA: Yes. One question, that's all -- or two maybe. Go ahead.

ASSEMBLYMAN DALTON: Okay.

First of all, Ms. Tiernan, thank you for your testimony. On that issue of zoning, I take it that you believe that a State law permitting municipalities to enact local ordinance to permit home businesses is not going far enough, that some municipalities would choose just not to do that, that there needs to be some State guidance requiring municipalities to permit home businesses and, also, to prohibit or to strike down local ordinances which prohibit home businesses from taking place.

Now, you had mentioned -- your last comment was, with respect to allowing municipalities to choose, the list of those items which are permitted. Are you talking about the specific types of home businesses, or are you talking about more the characteristics?

MS. TIERNAN: The characteristics. I don't feel that the municipalities should be able to preclude whole types of businesses, which they will want to do. But I think that they should be able to control what is visible from outside of the home. I have found every community has its own sensitivities. In one town, like Ridgewood, parking is a huge issue. If you go next door to Midland Park, signs -- they're nuts over signs. So everyone will be more sensitive and want to control to a different degree.

ASSEMBLYMAN DALTON: Last question: If there is no visible impact on the community with respect to home business, is it your position that the municipality should not be able to regulate it or prohibit it?

MS. TIERNAN: Yes.

ASSEMBLYMAN DALTON: Okay. Thank you.

ASSEMBLYMAN AZZOLINA: All right.

Thank you very much.

ASSEMBLYMAN KELLY: Joy Turner, President of Jeffers Business Services, elected delegate to the White House Conference on Small Business.

You have the floor.

JOY J. TURNER: Thank you. I, too, am very appreciative that we have this opportunity to be here today to bring this issue out in the open. I guess I'm like Bernadette. This is a coming out party for me, as well, as a home-based business, not that I haven't been exposed already even at the Federal levels.

ASSEMBLYMAN AZZOLINA: Will both of you get in trouble, do you think?

MS. TURNER: I don't think so. There are too many other issues that abound.

First, let me inform you-- I believe that all of you at the head table up there have a copy of the handout that I prepared.

ASSEMBLYMAN KELLY: Excuse me, I should have read it, and I wouldn't have asked that question earlier.

MS. TURNER: Well, I just want to make you aware that you have it, so you can read it later on your lunch hour or something. You also have a copy of a red book that I gave you, which is the working copy of the New Jersey State Delegation to the White House Conference on Small

Business. That will give you a great insight as to what these issues are that we've been promoting and working on down in Washington.

As you mentioned, I am the President and owner of Jeffers Business Services, a home-based business that's been in existence on a part-time level since 1978 when I saw a great need for my type of services. I made a very big decision a couple of years ago to leave a corporate structure and to do my business full-time.

I also, at the same time, became very involved with the White House Conference on Small Business. I am a State officer, Chairperson of Governmental Affairs for the New Jersey Association of Women Business Owners, and I'm also a member of the Federal Tax Committee, and I'm on the Committee to the Commission on Restructuring the Internal Revenue Service with the National Society of Accountants.

I've had the opportunity for the last couple of years of working with our Federal government in Washington. I've provided testimony there on many of the tax issues that you see in that book, and those issues included this home office deduction. Some action has taken place there, but not enough. My cohorts here have already addressed many of the issues that I do not need to repeat. But I would like to highlight some of those areas.

I think that the discussions of home-based businesses is timely, and it also centers around three areas of impact. It is a complex subject. It is not a simple matter of just saying that people can do business in their homes. I am not advocating that. I don't think any of us are.

I'm also a home owner. I'm very protective of this major asset. I don't want someone next door to me with cars jacked up. I don't want

someone next door to me with a lot of waste out by the curb. I don't think we should all pay equally for waste that someone else produces so much more of in issues of recycling. There are many, many issues here that are complex, more so than what we've mentioned. I think that requires that all of us work together on this particular issue.

I think that some of those issues have been mentioned and that they interlink both at the Federal, the State level, and at the local levels. I don't think that it's possible to separate just one particular issue when we're talking about a home-based business. I also think that a lot more dialogue is required amongst these interested parties in regard to types of businesses that require licensing, those that may present health requirements in terms of regulations.

I also think, on an overriding issue, one of those that was very predominant when we discussed the independent contractor issue -- which is also directly related to this issue, because most independent contractors are home-based businesses-- I think, too, that an even larger issue is that we don't want to make it easy or we don't want to promote loopholes that allow corporations who are downsizing and rightsizing and doing all these creative things-- We don't want to open doors for them to plan their employees out here in home-based businesses and thereby reduce their payrolls. That is not what we want. What we want to do is make it less difficult for those of us who are struggling to make a living to just be able to operate our businesses.

Some of the information that I've given you here in this handout gives you a very good background on what the White House Conference on Small Business addressed. This particular issue was ranked as number 20 of

the 60 issues that we presented to President Clinton and to the Congress. It was included, at that time, in the area of community development; however, as I've alluded, this issue impacts two other areas. It impacts the tax areas, as well as the regulatory area, although we have it in community development.

I will leave you to your own devices to read this information that I've made available to you about what we've done with this issue on the Federal level and the progress that was made in trying to get some components into that Contract with America that didn't quite fly.

Also, I know that Bernadette has mentioned that in the Small Business Jobs Protection Act of 1996, which we refer to as HR-3448, that there were provisions to clarify the treatment of products/samples storage costs, a very, very small element. That element need not have even been addressed if they had only reversed the *Soliman* decision. This decision, I think, was an ill-conceived notion by someone trying to rectify some special interest's decisions. I think what happened here is that this just made it more difficult for home-based businesses instead of correcting whatever it was that they had attempted to correct with this. Now, it's on the books and it's a tremendous effort to try to get it off, and I think that this is one of the major things that we need to do at the Federal level.

The Senate, as I know right at this moment -- I know there are activities going on at the Senate level and possibly at the House level, as well, to address this issue again. Just recently, there were hearings held in Washington, and the issue of home-based business was included in those hearings. We had our President-elect of the National Association of Women Business Owners as one of the primary witnesses there. Hopefully, we've been

able to enlighten some of the people as to what those issues are that need to be addressed in the next go-round in the 105th Congress.

In the interest of time, I'd like to tell you what I think are some suggested improvements and considerations required in these three areas of impact. On the tax level: As a general rule, taxpayers can claim a home-office deduction, only if space is regularly and exclusively used for business. However, the law carves out an exception for space within a home that is used on a regular, even if not exclusive, basis as a storage unit for the inventory of the taxpayers' trade or business of selling products at retail or wholesale, provided the home is the sole fixed location of the trade or business. The new small business law makes it clear that the special rule also applies to space used to store product samples.

That sounds good, but what we really need to do here is just reverse the *Soliman* decision and then we don't have these ifs, ands, and buts. We also need to revamp the criteria that's used in the Internal Revenue Service's audits of home-based business. Their criteria, while I don't have an example of it here today, lends areas of subjectivity.

Now, I am not an Internal Revenue Service batcher. I'll tell you that right up front. I think I'd like to say I'm friends with Commissioner Richardson and her staff down in Washington. I have found that we've been quite successful in working with the Internal Revenue Service rather than trying to throw it out and start all over again. Someone has to collect the taxes, and we may as well fix what we already have rather than try to invent some other system. So the people at the Internal Revenue Service, I have found, are not our enemies in these areas. I have found that they've been very

cooperative in trying to work with us. It's up to us to tell them what it is that we need and, then, to get Congress to act on what those issues are that are above and beyond the administrative levels.

On the State and local level, requirements that are needed pose a different problem. We have another group or Tax Committee right now, which I'm a part of, who are working with some of the members in the Congress here at the State level, trying to address some of these same issues concurrently with what we're trying to do in Washington.

In some areas, we've been successful and in others, we haven't. We have not gotten any concrete action at this time. I think what we could do, though, is have some of the people who talked here today get together, maybe on a task force, and come up with some of those suggested regulations or requirements that could be presented at the State level and possibly be introduced to the League of Municipalities and funneled down to the local levels. Because I, too, believe that it's an overriding issue that, based on the ideas of equality and conformity, has to take place at the State level first, and then, we go down to the local levels.

But within those requirements, we could consider home owner tax credits for small businesses, and those tax credits could be aligned with gross income or net income. Provide separate property tax valuations for fully functional, dedicated office space, and one of the--

I believe it was Assemblyman Malone who had concerns earlier about valuation of property for home offices or someone had mentioned it, and I think that right now I don't know of any particular issues where valuation of property has come to a head because of having a home office there. Logically

speaking, any time you expand or enlarge your residential space, the tax man will cometh -- we know that -- and your tax bill will grow.

ASSEMBLYMAN AZZOLINA: Well, the taxes right now are probably high enough. I don't know how they tax lawyers attached to a home or a doctor to a home. I'm not sure, it might use that method, too.

MS. TURNER: Well, I think, Assemblyman Azzolina, that you've just hit one other point. Doctors and lawyers, for some reason, have been allowed certain privileges that those of us who are tax specialists and accountants haven't been allowed at municipal and local levels.

ASSEMBLYMAN AZZOLINA: That's what we're going to use as a reference point, I think. (laughter)

MS. TURNER: I beg your pardon?

ASSEMBLYWOMAN CRUZ-PEREZ: I'm surrounded by lawyers.

MS. TURNER: I think also that the State or even at local levels, we could think about how to make loans and funding more available to those people who have home offices, who need to bring certain things into conformity.

For instance, when I decided to do business full-time, I knew that I'd have more people coming, especially at tax time, than I normally do. My neighborhood, I like to think, is a pretty nice neighborhood, and I certainly don't want to be the one who disturbs that balance. So I just widened the driveway so that I could park four to six cars at any given time. Now, I can't take care of that many people at one time, but at least I have the provisions there. But that also increases your property tax bill.

At the regulatory level-- Now, I just want to give you a quote from an article about John Ward, a *Star-Ledger* business writer, who says that, "Somewhere between the breakfast nook and the old table that now serves as a desk, millions of Americans become law breakers every day of the week. The moment they switch on their personal computers, they violate laws that bar their existence as bookkeepers, commercial artists, software writers, in short, operators of home-based business." Now, you have the rest of that quote there in your handout.

With more than 13 million full-time and 14 million part-time home-based businesses nationwide, it is time to rectify these injustices of local zoning and planning bodies. People are continually told by municipal offices -- I personally have experience with that as a business consultant -- that home-based businesses are illegal. Yet, corporations are downsizing, rightsizing, and moving out of State. What are these people to do?

Federal requirements that could be addressed -- and we're talking about this at the Federal level-- Recognition at the Congressional level that home-based businesses are not only legitimate, but that they generate billions of dollars in contribution to our GNP. We need more accurate statistics for tracking relevant measurement components of home-based businesses. Paperwork and fees for certain minimum-sized businesses should be eliminated or reduced, and then there are other compliance issues.

At the State and local levels, local ordinances must be revised and uniformity must be sought in administration of those local laws that are already on the books. There is a great deal of lack of uniformity in administration of the laws. Restrictions should be lifted immediately on

certain service-oriented businesses. There must be logical distinctions drawn between businesses that can be operated safely in a home-based environment and those that may cause or create hazardous conditions. Action must take place to alleviate the stress of local ordinances and regulations that restrict or deny the option of maintaining a home-based business.

In my business as a tax consultant, as a business consultant, and an accountant, what I do is help people put their ideas into businesses -- profitable businesses. Because the first thing we do is cover the requirements that you can't have a hobby that's a tax deduction. It must be a profit-oriented business.

People come to me with ideas and this, believe me, is the entryway to the American business dream. When a person gets an idea, they have to be encouraged that that idea is a valid one -- and any idea is valid for somebody -- and then they have to be told how it can be made to work. So they come to me before they're even ready to go to the big consultant some place. They say, "You know, I've been thinking about this."

I had a hospital administrator in my office the other day, "My company is looking like it's going to downsize. I need to think about something different. Can you help me identify what my transferable skills may be? Because I'll need to do something different and I may not be able to get another job." We'll talk about that. What your skills are, what you think your strong suits are, and how you can transfer that into a viable, profitable business.

Now, we have to talk about all those other issues. Where do you live? What are the requirements? What are the municipal regulations? What

are the zoning laws? What are the variance requirements there? They come back, they said, "They tell me I can't do it. It's illegal." I say, "Come to my office, we'll see how we can work it out."

Because then I also have a host of people, who are small businesses, that have been operating already. They've been operating two or three years, and they hear about me and they say, "You know, I don't know if I'm in compliance or not, so I need to come and talk to you." They come and talk to me. We sit down and figure out how to get them in compliance. I call the Internal Revenue Service. I call the State taxing authorities or whoever is necessary, and I say, "Here's a client. I'm going to put them back on the tax rolls." That's money that's coming out of the darkness coming back onto the tax rolls. So my business is important to the tax coffers of this State, as well, because I'm bringing people back on the tax roll. But if I go down to the municipal building tomorrow and ask them -- which I have never done -- they'll tell me I'm illegal, I cannot operate. So these ordinances have to be revised and uniformity must be sought immediately.

In the area of community development: Small businesses cannot compete with large businesses when it comes to market rents and facility overheads. Commercial rental property is outside the budgetary constraints for most small and beginning start-up businesses, especially in the service category.

For an example, when I wanted to start my business on a full-time basis, I went to several real estate people. In fact, I was referred by my Assemblyman, who sits down here with you people. He told me who to go to, and I went there.

They verbally negotiated with me to rent me, at some point in time in the future -- and I only wanted 350 square feet. I mean, people come in and they go out. I don't have people sitting around for conferences and whatnot. When the day came that I thought it was about time for me to get this space, then I was told that the Board had had a meeting, after the fact, and decided that the minimum rental in that building -- which is somewhat vacant -- would be 800 square feet. I don't need 800 square feet. That's over \$1000 in my budget that I cannot afford a month. I decided then to do business at home. I had no choice.

Many businesses, accountants, caterers, beauty shops, bookkeeping, tax/insurance services are currently being run from home-based businesses, without disturbing the peace or endangering the aesthetics of the neighborhood. Surely, aesthetics and nuisance factors must be primary considerations so as to protect property valuation and enjoyment of those innocent neighbors.

Federal requirements to consider here are a mechanism to encourage hiring a minimum number of employees to develop a Federal classification of the types of home-based businesses to be allowed in certain neighborhoods. At State and local levels, nuisance measurements must be in place for my protection, as well as yours.

I have a friend down the street from me whom I suspect -- I think I know -- is repairing automobiles. He has been pretty discreet. He has a double garage. He keeps the door down, and he works on them. He has to open the door for the fumes, but he works on them discreetly. They come in and go out. I don't bother him. He doesn't bother me. But the minute he

jacks a car up in front out there where I have to look at it, I'm going to complain and he'll probably complain about me. We shouldn't have that type of environment.

Signs, refuse, recycling, noise are all very big issues that we must discuss and decide what would be the best standard for everyone. We need to require parking provisions under certain circumstances. For instance, school buses and trucks. I don't want them in front of my house. Innocent property owners should be equally considered and protected at all times, but for the small-business owner we have to make a living, and we can't do it hiding from the law at the Federal, State, or local levels.

If anyone is interested, I'd like to share with you later, if you want a copy -- a copy of an article that *The Star-Ledger* did on myself and several others -- I think Chris is included in here -- about home-based businesses.

I thank you for this opportunity. I look forward to working with all of you in an effort to try to resolve this situation.

ASSEMBLYMAN AZZOLINA: Thank you very much.

Next, I would like to call on Sara Breslow.

I understand you have a real horror story. (laughter)

S A R A B R E S L O W: Hi. I guess I'm the first one to say good afternoon.

ASSEMBLYMAN AZZOLINA: You're the President of what company?

MS. BRESLOW: I'm sorry. I own About Face: The Graphics Place in Eatontown.

ASSEMBLYMAN AZZOLINA: Eatontown. Can you speak loud?

MS. BRESLOW: I thought I was.

ASSEMBLYMAN AZZOLINA: The mikes aren't working. You heard the sirens going on.

MS. BRESLOW: I know. I'll try my best.

ASSEMBLYMAN AZZOLINA: Okay.

MS. BRESLOW: I started my business in 1982. One of the first questions was: Would I legally be able to run my business out of my home? I wanted to be on the up and up. I went to my township officials. I talked to the zoning officer. I talked to the building inspector. The building inspector came to my home. They both said, "If it's okay with the other one, it's okay with me."

At that point, I applied for a mercantile license. It was approved, and I went into business out of my home, doing graphic arts, for the next three years. The building inspector, at that point, came to my door and suggested I get a PO box, which I did for another couple of years, but at the time, I didn't understand why. Two years later, I decided I would just put my home address again on the application for my mercantile license.

At the first work day in the new year, the new zoning inspector came to my door and said, "What is this business doing here?" I had, at that time, two nearly full-time employees. I had a sign about this big (indicating) on my front door and another tiny one hanging on my lamppost. I had about three clients a day coming and a bookkeeper who came one time a week.

At that point, they issued me something that said I had to cease within 30 days. Of course, anyone in business would know 30 days is not enough time to relocate, to notify your clients, to take care of any of the

business of being in business. I ended up having to hire an attorney. We went through several Planning Board -- I mean, Zoning Board meetings. It became obvious that the Zoning Board assumed that I had done the wrong thing. They conveniently had none of my original applications for my mercantile license showing my home address. They weren't willing to give me a temporary variance. They weren't willing to even give me one year -- excuse me, two years in order to relocate my business.

At that point, the lawyer said my only choice was to sue the town in order to buy the time which was reasonable in order to deal with these problems. At that time, the real estate market was very high. We did sue the town. The lawyer said I would lose, but it would buy me a year's time. I went ahead and found new space. I did lose the case and \$7000.

But the attitude at the time was totally unsympathetic to me. My expenses in the new space went up dramatically, starting with \$1000 a month rent. In addition to that, there were insurance costs, utilities, signs, etc. I was there from 1989 to 1993, supporting everyone but myself. I was paying rent instead of being able to upgrade my computer system in order to stay competitive. I paid nearly \$50,000 in rent and defaulted on a \$50,000 loan for my old equipment. What was I to do? Go out of business?

I decided the only answer was to downgrade. I got rid of my employees. I rented a box at a local mailbox establishment. I had no signs on my house. I try to make my meetings at my client locations, and I didn't apply for a mercantile license. I call myself a consultant, and I don't say that I have a business location. I perform my work in my house, but I don't have a business site. The upshot was that I found the only way I could exist in

business was to get around the regulations. I still pay my sales tax, and I file my Federal and State reports, but I'm stuck.

Ironically, my town is now considering approval of virtual offices, because they said, at a recent council meeting, they can't stop them because they're hidden. Well, I have become one of them. Through all of this, I was treated like the enemy. I was treated without compassion, and the attitude of the officials was that they were hiding behind bushes waiting to catch you.

I would like to see more than legislation enacted to broaden these restrictions. I would like to see an attitude change that encourages cooperation, openness, and offers a helping hand. I would like to think we have the brain power to make that happen.

Thank you.

ASSEMBLYMAN AZZOLINA: Are there any questions? (no response)

Thank you very much.

Karen, I understand you have another horror story.

K A R E N V A R I N E C Z: Hi. My name is Karen Varinecz. I live in Mount Laurel in a--

ASSEMBLYMAN AZZOLINA: Ooh, Mount Laurel, that's horrible. (laughter)

MS. VARINECZ: Well, I'll probably get caught later.

ASSEMBLYMAN KELLY: A lot of housing problems there. (laughter)

MS. VARINECZ: I live in a single-family, two-story house with my husband, two college-student daughters, and one son-in-law.

Prior to starting my commercial computerized embroidery business in October of 1992, I went to the township offices to read the regulations on home-based businesses. I wanted to make sure that I was in compliance. I would not be using any more than 15 percent of my home, which was in the regulation. I would not have the public coming to my home, which is also a very vague section of the law. I would not even have the two-foot-by-two-foot sign out front. I would also not have employees.

Creative Stitches Embroidery was born in October of 1992, starting out with a computer and one embroidery machine, in a back bedroom of my home -- 7.5 percent of the house. I sewed embroidery designs on shirts, caps, jackets, etc., and created commercial computerized embroidery designs for my customers. The business grew and I acquired another machine in October of 1993.

Another machine came in 1994 in May. This machine was too big for the bedroom, so we moved into the living room, which is now 15 percent of the house. I was still in compliance; however, the work output became so great that I could not handle it alone. So I brought on part-time employees, ladies from my neighborhood, who helped me as I helped them earn some money. To be honest, I did not remember that employees were part of the township regs. I never had more than two people in the house at any time, and we complied with all rules and regulations about employees.

Last March, I had a knock on the door from the Township Planning Office. The woman said she had gotten a complaint about my business, and although she didn't confirm it, I later found out it wasn't from anyone in my neighborhood, but from a competitor in my town. And I wasn't

even competing with this business. I was in violation about the employees, and they were going to issue a cease and desist immediately. It was only through my being cooperative and my lawyer being cooperative that they agreed to let me stay on until I could move out.

In order to move out, we had to get a loan. We could only get a very small loan to help with the store set-up and moving expenses. We found a store in a strip-office complex in the township. Work would have to be done in the store because it was only a shell, but luckily my son-in-law is an architect and did the construction; however, it took three months before the township would approve the plans for the store. It was springtime and our complaints got mixed in with swimming pools, decks, and other types of home improvements.

It was unbelievable to me that people from one side of the same office were nitpicking our plans and delaying the move, while people from the other side of the office, literally 10 feet away, were pushing me out of the house.

For an example, the plan did not specifically show handicapped-accessible, L-shaped doorknobs that became a requirement after we submitted the plans. Rather than approve the plans with the caveat that the doorknobs have to be put on in order to get a CO, they're rejected. They must be submitted-- They must be redone, resubmitted. You must wait again for someone to look at them. Time and money clicked away until we could even start building. Inventory sat untouched, rent was being paid, electricity was being paid.

We finally moved on July 9 of last year, and we didn't have a sign because we were still waiting for approval. Phone calls and phone calls didn't move the process of reviewing the sign. When it finally was reviewed, some time in late August, it was rejected. Again, money is clicking away because we have tremendous overhead and nobody knows we're there. It was rejected because it said -- and I brought a sample (indicating) -- "Creative Stitches Embroidery, Custom Imprinted Apparel, Personalized Gifts."

They told me that these two thoughts on one line constituted a menu; however, I could pay \$500 for a variance and wait two months for this same Planning Commission that rejected it the first time to take a look at it. So, at that point, I caved in, removed "Personalized Gifts," got the sign, it went up in November. Now, remember I've been in since the beginning of July. I got a neon sign for the front window that said "Personalized Gifts." That's legal, but having it on the sign was not.

However, by November, the damage was done. I had no cash reserve for working capital, and I was demoralized. I actually spoke to a business broker to sell the business, but because it was in such bad shape and had no track record yet in retail, he couldn't do anything. I hired someone to get me funding, but because I had an existing SBA loan to move, no one would loan additional money. I asked for consideration from my creditors and the landlord and sent them whatever I could whenever I could. I spoke to my lawyer who told me that since no one had filed suit against us, we shouldn't do anything but keep on keeping on.

December was good financially, and I was able to pay some bills from the Christmas business proceeds. It proved to us that the business really

could make it, but because the business had fallen so far behind, I started making arrangements to sell some of the assets of the company. I sold the big machine to payoff its own lease, and I started returning inventory to suppliers.

By late January, even though I had been paying half the rent each month, the landlord sent me a letter telling me he would be filing papers in court in 10 days to evict me. My lawyer advised me to pull out before the eviction notice came. I made arrangements to move the business -- now with less machinery -- back home. I also leased a locker at Public Storage. Since I didn't have the big machine anymore, I wouldn't need employees and began letting them go.

On January 24 of this year, the landlord came to tell me he heard I was leaving before the court order and that he was going to change the locks that night to lock me out. When he left, I called a moving company to get me out immediately. As they were moving me, the landlord came with the police to stop me. My lawyer told them on the phone that because -- told the police on the phone that because there was no court order, the landlord could not prevent me from moving out. So they remained to prevent my landlord, who was now going ballistic, from harassing the moving men, me, and my family.

When we pulled out of the parking lot to go to Public Storage, the landlord followed us. He caused a huge scene with the moving men and the security guard at Public Storage which was videotaped. Only the threat of the guard calling the Maple Shade police got him to leave. I've been so shaken that I actually went to a therapist at this point.

We've since received notice of a lawsuit from the landlord, and we've been working with our lawyer. We will probably file Chapter 13 this

week. I am desperately trying to restructure the business to make it amenable to working at home, concentrating on programing embroidery designs for other embroiderers, so I'm basically a software company now. My lawyer and I still don't know what the township means by meeting the public in the house. Only clients that I invite come in. Nobody walks into my house. This is a very vague point I may be in violation of.

It amazed me through this process how the township that claims to want to bring business in and is setting up a commission to investigate why businesses won't come here goes out of its way to hurt business. Mine was only one of several horror stories that I heard this year. It amazes me that businesses don't get priority for plan review. It amazed me that their stupid rules and regulations are hurting the businesses they say they want.

I had hoped one day to move the business out of the house, so I could have a showroom for my commercial clients and to sell embroidered gifts. I didn't expect to get cut off at the knees. Instead of having the time to build the business in an orderly growth move, it got shoved out prematurely, and I'm praying it doesn't die as I attempt to revive it.

ASSEMBLYMAN AZZOLINA: I have to agree with you. There are certain planning boards -- and I get very aggravated at them-- Not all of them, but certain planning boards. I think the town officials are probably more concerned than planning boards. They're obnoxious, a lot of them. They make you go through what you went through--

I have a medium-sized business. They call it large, because a medium-sized-- I go through the same thing over and over and over and over and over, and they don't realize every time they tell you go back and get

another plan, you have to go back to the architect, you have to go to your lawyer, and maybe an engineer. It costs so much before you get done, it's a wonder we even can afford it, and you can't afford it either. All they had to say is amend the darn -- whatever they told you to do, and do it.

MS. VARINECZ: Right.

ASSEMBLYMAN AZZOLINA: I think it's that simple. I'm not on a local planning board, but I did go on once for a couple of years when I first came in the Legislature just to see what it was like, so I understood the process. I couldn't believe the people who are on these planning boards just don't understand business--

MS. VARINECZ: Not at all.

ASSEMBLYMAN AZZOLINA: They don't understand politics. They don't understand anything except their self-importance. I hate to say that because I have some local officials here, but local officials are more sensitive, I think, than some of the members of planning boards and that's something we ought to address.

ASSEMBLYMAN KELLY: Mr. Ticktin, you're with the DCA, what do you think we should do about things like that?

MICHAEL L. TICKTIN: (speaking from audience) I was listening to see if there were things involving the regulatory program.

HEARING REPORTER: Mr. Chairman, could you ask him to come up to the microphone?

ASSEMBLYMAN KELLY: You have to come up to the mike.

HEARING REPORTER: Thank you.

ASSEMBLYMAN AZZOLINA: Oh, can you come up to the mike here?

MR. TICKTIN: One thought that occurred to me is perhaps the Legislature should set some sort of presumptions of validity of certain uses in a residential zone. I think some of the people have spoken of that before, that there be standards that the municipality would have to establish that it could enforce. But the idea of having some presumption of validity, in certain types of--

ASSEMBLYMAN AZZOLINA: Yes, but what she was talking about is planning boards. Go back over it for a lousy plan and spend more money and make a single person--

MR. TICKTIN: That's the municipal--

ASSEMBLYMAN AZZOLINA: --go out of business?

MR. TICKTIN: Perhaps the municipal land-use law should be clarified along those points, terms of procedures, but there should be some uniform procedures put in that that planning board should be expected to follow.

ASSEMBLYMAN AZZOLINA: We've got to get to the planning boards on a lot of stuff. That's where we're overregulated, with what the planning boards do or whatever we call it.

MS. VARINECZ: And seven people are now not working because I had to let them go.

ASSEMBLYMAN MALONE: Just take that question-- If you had-- I'm somewhat familiar with the type of equipment that you have. What was the volume of product that you were producing out of three machines,

though? I mean, where were you storing the shirts, the hats, and that kind of product to be working and utilizing three machines? You're talking about baseball uniforms, you're talking about hats. That had to take up quite a bit of space.

MS. VARINECZ: It took up some room in a dining room and in a garage, but we turned things over very quickly so we--

ASSEMBLYMAN MALONE: Yes. You had to have trucks delivering it, I would assume.

MS. VARINECZ: UPS, strictly UPS.

ASSEMBLYMAN MALONE: What would you say was the volume, sizewise -- at any given time -- of product that you would have on-site that you would be working on?

MS. VARINECZ: I would say no more than 10 dozen pieces in boxes, because we moved things fast so that we wouldn't have-- We didn't have a storeroom, so-- But would that really have made that much of a difference if it was in my garage and it wasn't--

ASSEMBLYMAN MALONE: In some cases-- Again, to some people it does. To some people-- If the competitor you were talking about -- who you think turned you in -- did they have a storefront business or did they have a home business?

MS. VARINECZ: No, they had a storefront business.

ASSEMBLYMAN MALONE: Okay. Then that gets back to the issue I raised earlier about the competitive nature of that business.

Thank you.

MS. VARINECZ: I was paying leases on machines and that storefront business wasn't. So I mean, it's a balancing act also.

ASSEMBLYMAN MALONE: But they bought their machines?

MS. VARINECZ: No, they didn't even do the kind of work that I was doing. They just had a storefront.

ASSEMBLYMAN AZZOLINA: Okay. Go ahead, you want to take the rest of them over?

ASSEMBLYMAN KELLY: Jerry Spumberg, Business Consultant.

J E R R Y S P U M B E R G: Good morning to the Committees. What a great day for the State of New Jersey that you're taking a position of leadership that dealing in a very changing economy, something that I don't think is done in any state in the United States today.

To give you a little of my background: After 26 years of being in business, owning my own companies, I changed job positions to help those who wanted to start their own companies, were having problems with their present companies, or maybe sliding downhill. Rather than get into details of facts and figures, what I'd like to do is kind of paint a couple of pictures for you, and sometimes pictures are better than just a conglomeration of numbers.

I'd like to tell you the story about the three entrepreneurial little pigs. Let me call them the good, the bad, and the ugly. I'd like to let you know, without telling you exactly who these people are, that some of them were my clients.

Mr. Little Pig that was good -- actually I should say Ms. Little Pig that was good -- was a woman with children, needed an income, left with her only asset being her house -- and an ex-husband who wasn't paying the bills --

started a company. It was a company in the barter business. I was able to support her, and she used her dining room to facilitate the company. She eventually employed about three other people.

The bad, was two gentlemen who had worked together for 20 years in the corporate world, finding that their company no longer wanted to stay in our State -- which they loved, where all their relations over the years of family and friends were developed -- said, "You know what? We better start our own business." They started in a garage. Luckily, they stumbled onto one of the facilities put together by the State of New Jersey at Rutgers University, a technological incubator. Today, that company -- in five years -- does a million dollars a year, and it employs 10 people. In five years, they produced an employment increase of 500 percent, including hiring their two wives. It was kind of neat.

I would also like to tell you about the ugly. The ugly was a company located in a large-lot-size area -- 10 acres -- who was in the business, who lived in a development within that area that was zoned at 2 acres, and whose business practice was designing a little clip that held the harnesses in airplanes for the wires so they wouldn't chaff. He held patents for that, and he would manufacture the mold for that product. He employed quite a few people outside of his home, who would then manufacture that product, and shipped it all over the country. In fact, it was a required component in many military aircraft.

Living in that area--

ASSEMBLYMAN AZZOLINA: Was he prevented from designing this at his home?

MR. SPUMBERG: Well, not only did he design, but he also manufactured the mold. Let's think of an impact no worse than if you had a little wood-working hobby. Okay? Nothing very complicated, not a lot of machinery, probably taking less space than a work bench.

However, because his dog wetted on a neighbor's property-- The neighbor knew he was running a business, and the zoning ordinance read, "You can't have a commercial enterprise in a residential zone." So what he did, he took his income -- his big bag of money, by the way, that he spent in this State -- and he went to Texas. That's kind of ugly.

The uglier situation is that -- realize that New Jersey sits in the hub of 45 million people within a four-and-a-half hour ride and the entrance to the European markets. Yet, an entrepreneur who runs his multi-\$25 million business out of his home in Pennsylvania -- who would love to come to New Jersey so his commute into New York would be less -- won't come here. Because he's afraid of the -- basically of the harassment at the local municipal level in the towns he would like to live in but loves Jersey. He thinks the Shore is great, thinks we have a great place to live, good access to culture, museums, theater but, yet, remains in Pennsylvania because he feels, "At least, I'm not being undiscovered."

What I'd like to point out to you is that-- We had an economist who explained the numbers and the things that are happening on-- I'd like to, again, try to draw some pictures.

It wasn't too long ago, maybe in the last four or five years, that 20 percent of our gross national product was developed by large companies. Today, it's down to around 7 percent or 8 percent. Traditional companies will

always remain structured very similar to the way they are, because they work for certain purposes. However, there are new corporations that we see growing all the time. It may soon be that the only part of those companies that we may say is XYZ company is the ladder that would lead someone to the CEO position, and then everything else is outsourced.

The next -- and third, and I think what I'm seeing more and more -- is what I call a business that is brought together by alliances of people for a short period of time to get a task done, a job done, and when that's completed, sometimes that business is sold. One of those companies, that had a chance to talk about itself at the New Jersey Entrepreneurial Conference, in 10 years became a \$40 million company, now employing 250 people, and moved on. But there are also other companies where it's just simply having been downsized who want to make a living. Those service organizations that we heard about, these all make up our economy.

One of the things I saw questioned was, if you throw a lot of seeds and start planting an awful lot of seeds and don't put these pressures on them, will they grow? I think I heard that one from the Assemblyman. It was certainly a valid question -- a question that I've been thinking about and dealing with for the last nine months since I met Chris Hansen.

The truth of the matter is, is that if we're going to see the 1 percent of 2 percent of businesses that rise to the very top, that become the Microsofts -- and there are already those seeds planted, right now, in New Jersey that went through a very tough time--

Wouldn't it make logical sense that if we plant more seeds, make it easier for them to grow, that we're going to have more businesses rise to the

top and give our citizens and our State the type of jobs that pay well? Because what we're really dealing here with, what you're concerned about, is the future of the quality of life in this State. I would certainly like to see that we have the best-paying jobs and the highest income levels of anywhere.

Ross Beth-Cantor (phonetic spelling) in a book, *World Class*, talks about in today's world there really are no borders between countries. In fact, it's become territorial. New Jersey now competes against other states for its role in the economy today. We have a chance to attract businesses -- the seeds -- that will grow into the best jobs in the country, maybe even in the world. All we have to do is make it possible for them to exist. Actually, a lot of those things were talked about before.

What I propose is that this is not only a legislative issue. Certainly, that's a beginning. But really what the State needs is an overall plan, a plan to make this happen. In business today, we call when we're in business, we're at war. I mean, we beat the Russians by fighting an economic war. They just couldn't turn around and keep doing everything they could. They went broke. We have a stronger economy. Japan is challenging the United States and so is South Korea and all over the world.

Wouldn't we be faulting in taking care of the citizens of this State if we were not going to give them all the tools that they need to be the best that they can, like the Army says? I think that's really what this is about, a beginning, number one, to remove the obstacles. But more important, the existing resources in this State, such as the Department of Economic Development -- some of the funding where banks refuse to take loans -- is there, except most of our people don't know about it. If we can bring that

together along with these development centers that aid these companies, where they can get support that's literally not expensive, we can have an explosion in this State -- an explosion of high-quality jobs and potential.

Thank you very much.

ASSEMBLYMAN KELLY: Are there any questions?

ASSEMBLYMAN AZZOLINA: No, I think you brought out a lot of great points there, and you're absolutely right, we have to see what we can do on the State and local levels to enhance the whole operation of small businesses.

MR. SPUMBERG: I would propose that, possibly, what could be developed is a task force to bring this together, bring all those elements together.

ASSEMBLYMAN AZZOLINA: Yes, we're going to do some kind of working group with those who were here today who want to be involved with this, to put something together.

MR. SPUMBERG: That's terrific.

ASSEMBLYMAN AZZOLINA: Okay.

MR. SPUMBERG: Thank you very much.

ASSEMBLYMAN AZZOLINA: We're not going to lose this talent today, it will just be in the book. We're going to use the talents here to put some program together.

MR. SPUMBERG: Thank you.

ASSEMBLYMAN KELLY: Ray Kalainikas, and we have one more after Ray.

Make it short.

RAY KALAINIKAS: Very brief.

Is this on?

ASSEMBLYMAN AZZOLINA: No.

ASSEMBLYMAN KELLY: No, you have speak loud.

MR. KALAINIKAS: I have to speak louder, okay.

ASSEMBLYMAN AZZOLINA: Speak loud--

ASSEMBLYMAN KELLY: Like I do.

MR. KALAINIKAS: Being in business for myself, I want to offer you a possible start with regard to legislation. I think you've heard all the arguments for and against, by and large, but the question is: What are you going to do legislatively?

Three points: One, I would like to see a situation where if a person has a home business and all the abutting properties to the person's property -- and the people on those properties -- and the majority of those people on those properties find acceptance to your home business, that you should be given one-year grace where you're allowed ignorance of the law or immunity of the law with regard to the business that you're in-- one year.

Number two -- this would be a second measure-- The second measure would, in a sense, be subject to the first measure of one year -- that all of those people in the neighborhood who either can see, hear, or smell your business, or in any way be affected by it be placed on a neighborhood council to determine whether or not the ordinances of a municipality should be amended or nullified for your business. These are the people who are affected by your business. Obviously, that would definitely take law to do that, because

you're asking a neighborhood council to either support or amend or nullify municipal law with respect to your business. That would be point number two.

Point number three, if that particular council of neighbors thinks also county, State, and Federal law should be amended or nullified with respect to your business, they or the individual conducting the business should have a right to petition and receive 10 percent of signatures of all the registered voters who voted in the last general election, to place on the municipal ballot whether that law -- county, State, or Federal -- should be amended or nullified, and we have then *I* and *R* in a binding sense at the municipal level that would allow that. All of this, of course, done in the context of the Bill of Rights and the purpose of government. This is even true for the neighborhood council.

But I'm talking three points: Give a person one year's grace if the neighbors and majority see nothing wrong with your business; within that one year, allow the person conducting the business to gather all those people in the neighborhood as a council, who are affected in one way or another, to determine whether or not municipal law should be amended or nullified to allow that business to operate; and number three, if there is county, State, or Federal law which would obstruct your business, allow that to go on a municipal ballot and be binding with regard to either amending or nullifying the law with respect to your business.

I realize this is radical, but if you think about it, it's common sense.

ASSEMBLYMAN KELLY: Radical? Ray, how do you control the-- We can't tell the Federal government what to do. You might as well just forget about that.

MR. KALAINIKAS: I understand. What I'm asking for, Jack-- Obviously, that would have to be a constitutional situation. You'd have to put it on the ballot. There would be a lot of argument. I, in my opinion, think the only form of *I* and *R*, binding, that makes sense is municipal, that has the right to nullify and amend county, State, and Federal law for our municipality in the context of the Bill of Rights.

I have never felt State *I* and *R* is effective, never. This is the only form of *I* and *R* that is truly -- and can be very effective with regard to individual rights.

ASSEMBLYMAN AZZOLINA: It can get very nasty on the local level.

MR. KALAINIKAS: Yes.

ASSEMBLYMAN AZZOLINA: It can get very nasty on the local level. You can get those who don't want any. They'll fight you tooth and nail. It will get very dirty, it will.

MR. KALAINIKAS: But this one-year grace for people who are in a home business--

ASSEMBLYMAN AZZOLINA: Well, one-year grace sounds okay, but--

MR. KALAINIKAS: That's important, and I think to have a neighborhood council-- They know what makes sense and what does not make sense. All those people in your neighborhood who can either see your business, can hear your business, can smell your business should be on a council to be able to say, "We don't think this law of the municipality makes too much sense in your case, we're going to nullify it."

ASSEMBLYMAN KELLY: Thank you.

ASSEMBLYMAN MALONE: May I just ask one reverse question?

MR. KALAINIKAS: Yes.

ASSEMBLYMAN MALONE: What if those same people in that neighborhood want to bring your business to a vote and say you've got to get your business out of there?

ASSEMBLYMAN AZZOLINA: Yes, that's right.

MR. KALAINIKAS: Well, they have-- In other words-- Okay. That's a very good question.

ASSEMBLYMAN MALONE: I mean, you've got to work it both ways.

ASSEMBLYMAN AZZOLINA: That's why I said it will get very nasty.

MR. KALAINIKAS: That's a very good question, but then the council -- the neighborhood council -- should be predicated on the purpose of government, and if our purpose of government, as originally stated, is to make sure that one human being is not master over another human being, and that's achieved by prohibiting anyone from willfully depriving a human being of life, liberty, and a pursuit of happiness, as long as the council has that in mind when they act, they can't arbitrarily take away your life, your freedom, or your pursuit of happiness with that understanding. But that understanding must be the basis for--

ASSEMBLYMAN AZZOLINA: Okay, Ray.

MR. KALAINIKAS: --the council.

ASSEMBLYMAN KELLY: Thank you.

MR. KALAINIKAS: Thank you.

ASSEMBLYMAN KELLY: Donna Cardillo. We saved the best for the last.

DONNA CARDILLO, R.N.: Thank you. I'm glad you recognized that early on. (laughter) But you should have had me on first to set a precedence, because my comments are extremely brief this afternoon. Good afternoon, and thank you for this opportunity to address the Committees.

ASSEMBLYMAN AZZOLINA: The trouble is you never know when you're putting people on who's going to be brief.

MS. CARDILLO: That's true.

I am here today to testify, very briefly, to the benefits and, in fact, the necessity, even more importantly, of many citizens of the State of New Jersey to work from their home.

Since starting my home-based business less than two years ago, my husband has become completely disabled and I have become the sole breadwinner in my family. In all likelihood, I will be the sole breadwinner for the remainder of my working life.

The advantages to my running a business from my home are that it does keep my overhead expenses low, it eliminates the need for me to hire outside help to take care of my family and my home, but even more importantly, I am available at home to assist a family member who does need periodic assistance in the course of the day.

I would also like to mention that I am a Registered Nurse, licensed in the State of New Jersey, and I am an active member of the New Jersey State

Nurses Association. I'm also an active member of the New Jersey Association of Women Business Owners.

I would like to just briefly testify that I am one contingent of many nurse entrepreneurs in this State who are starting businesses in record numbers. We have over 100,000 R.N.s in this State. This is a whole new segment of our population that is jumping on the entrepreneurial bandwagon.

My final comment is just to add credence to a statement that was made several times today, that any figures that are on record or have been quoted about the numbers of home-based businesses in this State are grossly underestimated, because there are many, many hidden businesses in the State of New Jersey, as well as across the country right now.

Thank you.

ASSEMBLYMAN KELLY: Very good.

MS. CARDILLO: Thank you.

ASSEMBLYMAN AZZOLINA: Oh, you didn't say what you do.

ASSEMBLYMAN KELLY: She's a nurse.

ASSEMBLYMAN AZZOLINA: No--

MS. CARDILLO: (speaking from audience) Thank you for asking. I'm President of Cardillo and Associates, a consulting and education firm. I primarily conduct seminars across the country for R.N.s and other health care professionals.

ASSEMBLYMAN AZZOLINA: Okay. That's it. We'll try to take this good information here today and, as I said before, develop some guidelines and hopefully a working relationship with the League of Municipalities and the

State level to try to come up with legislation or programs that will be beneficial to small businesses at home.

(MEETING CONCLUDED)