


Roofing Contractors Association of Washington

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Independent Business Association



Lots for us to talk about

■ Early 2011

- 2011 Legislature – How it affected Roofing Contractors
- State Budget
- 2011 – Special Legislative Session
- The Economy
- Health Care Reform
- 2011 - General Election
- Seattle Paid Sick Leave

■ Now, Late 2011, 2012

- State Minimum Wage Increase
- State 2012 II Increase
- State Budget Problem Currently
- President Obama's Jobs Act
- 2012 – Legislative Session
- 2012 – Election
- The Economy



How the 2011 Legislature affected Roofing Contractors



State Budget 2011 - 2013

- \$5.? billion problem
- Spending
 - 2009-2011 \$30.5 billion
 - 2011-2013 \$32.1+? Revenue up \$4 billion from 2009 – 2011 projected (\$28.7 – \$32.6)
- Budget Cuts
 - Real Cuts - \$2.6 billion
 - \$550 million cut higher education
 - 2% pay cut for teachers - \$179 million
 - Teachers pay 25% more for health care
 - Social service program cuts - \$424 million
 - Eliminate COLAs for state retirees - \$340 million
 - Cut state workers flexible time off - \$177 million
 - Olympia Cuts – \$2.4+ billion
 - Fund transfers – about \$1 billion
 - Not fund education Initiatives \$1.4 billion
 - Some cuts are reductions in increases
 - 25th month – school apportionment \$115 million – (June 30 to July 1)
- Most major programs retained
- Teacher STEP increases retained
- \$723 million ending fund balance – 2.2%



No New Taxes! In 2011 Because

- Primarily because of I-1053 – 64% yes
 - Constitutional protection for Initiatives
 - Requires 2/3s vote of the Legislature
 - Vote of the people
 - Passage of I-1107 repeal increased taxes on candy, soda, bottled water, etc. - **60% Yes**
 - Defeat of I -1098 – state income tax - **64% No**



The Republicans & The Road-kill Caucuses

- Democrat moderates who voted with Republicans
 - Senate Brown, Hargrove, Hatfield, Haugen, Hobbs, Kastama Kilmer, Sheldon, Pridemore, Rockefeller, Shin – need 3
 - House: Morris, Haigh, Clibborn, Blake, Takko, Finn, Kelley, Seaquist, Eddy, Hurst – need 8
- Tough consequences possible
- Key on
 - UI
 - II
 - Budget



Unemployment Insurance Reforms



State Unemployment Taxes

- **Experience ratings** – based on layoffs and range from 0%, 0.13% to 5.4%
- **Social tax** – paid by all employer (except those with combined taxes over 6%)
- **Fund Solvency Tax** – if WA State's UI trust fund is insolvent



Unemployment Insurance Reforms

1. **Taxes.** The formulas used to calculate the **social cost factor** are changed for rate year 2011 and thereafter. **Saves employers \$360 million** in state unemployment taxes in 2011 - 2016
2. **Federal UI Modernization Funds**
\$98 million
Must make improvements to the state's unemployment insurance system – 3 options
3. **Training benefits.** The training benefits program is modified for claims on or after July 1, 2012. The definition of "dislocated worker" is expanded. A dislocated worker is an individual who:
 - (1) has been involuntarily and indefinitely separated from employment as a result of a permanent reduction of operations at the individual's place of employment, or has separated from a declining occupation; and
 - (2) is eligible for or has exhausted benefits.
4. **Benefits.** a. Temporary benefit increase of \$25 is added to an individual's weekly benefit amount.
5. **Extended Benefits Program.** For 2011 the two-year look-back period used to determine whether extended benefits are paid is changed to a three-year look-back period. - **\$320 savings in state unemployment taxes**
6. **Reports** The Department is required to include the following in annual program reports:
 - assessments of employment outcomes;
 - an analysis of whether training leads to employment in high-demand occupations,
 - whether degrees or certificates are required to obtain employment, and the number of participants who take courses in basic language, reading, or writing skills;
 - an analysis of the type of work participants were engaged in prior to unemployment, and
 - whether they return to their previous employer within two years, or are employed in a field for which they were retrained;
7. The Joint Legislative Audit and Review Committee (JLARC) is required to review and evaluate the training benefits program in three years and every five years thereafter,



Effect of UI Reforms

- 90% of employers save money in 2011
 - 50% will pay lower rates in 2011 than in 2010
- 63% of employers save money 2012-2016



UI Reforms – How Possible

- Because Washington State is the only state with a surplus UI Trust Fund balance
- Use part of the \$2 billion surplus to reduce taxes in 2011 – 2016
- WA State projected to remain solvent through 2016



Federal DOL Cries FOUL

- U.S. DOL has cried foul re: WA 2011 UI Reforms
- The Issue –
 - The \$25 increased benefit
 - Paid for primarily from \$98 million of federal modernization funds
- Fed wants it charged to employers
- Possible loss of federal UI tax credit
- IBA is working with ESD on this resolution



2011 State Industrial Insurance Reforms



Industrial Insurance Audit 2009

- A **74.4 percent** chance of insolvency in the **Accident Fund** within two years, **81.4 percent** within three years and **89.5 percent** within five years.
- \$360 million deficit in the system's Accident Fund, and the supplemental pension fund must periodically borrow to meet its obligations.
- The actuarial firm's "best" estimate is that a 33 percent rate increase would be necessary for the Accident Fund to break even.
- A 3.9 percent probability of insolvency in the **Medical Aid Fund** in two years, 12.9 percent within three years and **26.5 percent** within five years.
- **Supplemental pension fund** must periodically borrow to meet its obligations



Industrial Insurance Reforms 2011

- “Voluntary settlements” are allowed as follows:
 - Injured workers age 55 +, and
 - injured workers age 50 + by 2016
 - structured settlement
 - no lump sum as done in most other states)
 - front payment of up to six times the state's average
 - Must be approved by Board of Industrial Insurance Appeals
 - Attorney's fees are capped at 15% for settlements.
- The **"Stay at Work" program** – a return to work subsidy for state
- Any prior *PPD is offset* in any new PPD award and no interest is paid on periodic PPD award payments
- A **freeze in the COLA adjustment** to workers currently collecting lifetime pension benefits for 2011 with no “catch-up” in future years.
- Setting up a **"rainy day fund"** when state industrial insurance premiums rates are excessive and should be reduced.



IBA Part of II Reforms

- Meeting with Governor in August 2010
 - No higher taxes
 - 2011 II increase 12%
 - 2012 II increase projected at 20+%
 - Governor proposed II reforms early in 2011 legislative session
 - Governor lead the negotiations to overcome legislative deadlock



Health Care Reform and MORE

- **Most of the details still to be worked out through federal regulations.**
- **2010 Small businesses Tax Credit**
 - 10 or fewer full-time-equivalent employees earning less than \$25,000 a year on average will be eligible for a tax credit of 35% of health insurance costs.
 - 11 and 25 workers and an average wage of up to \$50,000 are eligible for partial credits.)
- **2011 20% federal tax** on individuals who spend from their health savings account on non-approved health **care services**
- **2014, states will set up Small Business Exchanges** where small businesses and individuals will be able to pool together to buy insurance
 - tax credit will remain in place, increasing to 50% of costs, for the first two years a company buys insurance through its state exchange
- **2013 Medicare tax** on individuals earning more than 200,000 increases from 1.45% to 2.35%
- **2014, businesses** with **more than 50 employees** will be required to offer approved healthcare coverage or pay a penalty of \$2000 a year per full-time worker.
- **2014, individual** must be covered by approved health care plan or pay a fine
- **Ultimately – Courts will decide if this law us fully implemented**



Summary – Early 2011

- **\$680 million** in state unemployment tax savings – you saved money
- **\$1.2 billion** in state industrial insurance savings – you are saving money
- **No new taxes**
- **\$4+ billion** in state spending cuts



Now, Late 2011, and 2012



Seattle – Paid Sick Leave

- Paid sick leave requirement
- 1-4 employees exempt
- 5 – 49 employees – 5 days of paid sick leave
- 50 – 249 employees – 7 days of paid sick leave
- 250+ employees – 9 days of paid sick leave
- May be used for family care and domestic abuse issues as well as personal sickness
- Bad for economic recovery
- Likely to reduce other employee benefits
- Affects firms not located in Seattle but working in Seattle
- HUGE recordkeeping requirements
- Potential penalties up to \$10,000 **eliminated**
- **Effective Sept. 1, 2012**
- Expect this to expand city by city, county-by-county
- Expect this be proposed legislation in 2012.



2011 General Election

■ Initiatives and Constitutional Amendments

- I-1125 – Transportation revenues used only for transportation
 - IBA Recommends a **NO** vote
 - I-1163 reinstate background checks, training, and other requirements for long-term care workers and providers
 - IBA recommends a **NO** vote
 - I-1183 – privatize state liquor – most restaurants support this
 - IBA recommends a **NO** vote
 - SJR 8205 – Correction to WA State Constitution – when voters qualify to vote for President
 - Most offices 30 days, President 60 days - to 30 days
 - IBA Recommends a **YES** vote
 - SJR 8206 – State Constitutional Amendment – revising the state's budget stabilization account
 - **the amount by which the growth in general state revenues for that fiscal biennium exceeds by one-third the average biennial percentage growth in general state revenues over the prior five fiscal biennia**
 - IBA recommends a **YES** vote
- ### ■ Electing local officials – cities and counties
- All politics starts local
 - Ask the candidates – if they would support or oppose mandated paid sick leave, higher taxes, etc.



L&I Proposes 2012 2.5% II Increase

- 2.5% average II increase proposed
- Roofing Classification 05-07 – \$6.92 + 8%
- Carpenters 0516 – \$3.68 + 8%
- Comments due 11/05
- Douglas Stewart, stdu235@Lni.wa.gov
- P.O. Box 44140
- Olympia, WA 98504-4140
- Fax - **360-902-4729**



2012 Minimum Wage Increase

- 2011 – \$8.67
- 2012 – \$9.04
- 34-cent increase
- 4.25% increase
- Call your Legislators
- 1-800-562-6000



New State Budget Problem

- \$1.4 billion revenue reduction
- Current state spending locked in – can only be changed by the Legislature
- Constitution requires the state to have a balanced budget – no deficit spending
- Legislature back in session Nov. 28th
- Solve the state's budget problem
 - Spending cuts – up to **\$2 billion**
 - Possible new taxes may be proposed



Proposed New Spending Cuts

- **Examples of proposed cuts – \$1.65 to \$3.84 billion in cuts:**

- Impose 10 furlough days \$38.0 million
- Impose additional 1 percent salary reduction for K-12 employees (one year) \$37.0 million
- Impose additional 1 percent salary reduction for state employees (one year) \$32.7 million
- Increase health contributions for general government employees (one year) \$28.0 million
- Eliminate the Basic Health Plan, ending subsidized health care to 35,000 low-income individuals.
- Cut off medical services to 21,000 people enrolled in the state's Disability Lifeline and ADATSA (Alcoholism and Drug Abuse Treatment Support Act) programs.
- Trim 15 percent from the support the state provides to colleges and universities.
- Reduce levy equalization, which helps property poor districts, by 50 percent.
- Cut the length of supervision for all offenders, based on severity of offense. Sex offenders will be supervised for 24 months, and all other offenders, for 12 months.
- **Details at:**
http://www.ofm.wa.gov/reductions/alternatives/all_budget_alternatives.pdf



The Economy



Economic Outlook – September 15, 2011 Preliminary

- The economic recovery has basically stalled.
- Gross domestic product growth slowed to 1.8% in the first quarter, down from the fourth quarter's 3.1% rate.
- The state's job market has performed close to expectations.
- We continue to be optimistic in the outlook for key Washington industries.
- The recently weaker national recovery will be felt here as well. Fed reduced GDP growth from 3.3% to 2.7%
- We believe we are near the bottom in construction employment but we do not expect a quick recovery.
- Overall, the state's economic outlook is for slightly less growth than assumed in the March.



WA State Revenue Forecast

- **June 16, 2011 Forecast of GF-S Revenues: 2011-13**
 - **Baseline (75% likely):** \$31.7 billion; \$183.0 million (0.6%) less than the March forecast.
- **September 15, 2011 Forecast Of GF-S Revenues**
 - **Pessimistic (20% likely):** \$30.3 billion; (\$1.4 billion) (4.4%) less than the June, 2011 forecast.



Looking Forward

- Europe is a key
 - Serious deficit problems in Europe
 - Europe is our biggest export customer
 - Watch what happens in Europe
- Congressional Super Committee is a key
 - Will they meet Nov. 22 due date or will automatic cuts take place?
 - Will Congress pass what they propose or go to gridlock
- We continue to believe the Washington economy will outperform the U.S. economy. Washington is benefitting from strong export growth and hiring at both Boeing and Microsoft. However, the national outlook has weakened, as noted above, and this is reflected in a weaker state forecast as well. (Latest Report: Washington State Economic and Revenue Forecasting Council)



Economic Recovery & Small Biz.

- Since 1992, 64% of the net change in employment has occurred in small businesses
 - 1 to 49 – 34%
 - 50 to 249 – 22%
 - 250 to 499 - 8%
 - 500 – 999 – 7%
 - 1000+ - <1%
- Source: BLS, data from 1992 Q3 to 2009 Q1
- WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL - 12 February 2010



President Obama's – Job Act

- **Tax Cuts** to Help America's Small Businesses Hire and Grow
 - **Cutting the payroll tax in half** for small businesses: The President's plan will cut in half the taxes paid by businesses on their first \$5 million in payroll.
 - **A complete payroll tax holiday for added workers or increased wages:** The plan will completely eliminate payroll taxes for firms that increase their payroll by adding new workers or increasing the wages of their current worker (the benefit is capped at the first \$50 million in the firm's payroll increases).
- Extending **100% expensing through 2012:** This continues an effective incentive for new investment.
- **Reforms and regulatory reductions** to help entrepreneurs and small businesses access capital
- Putting Workers Back on the Job While Rebuilding and Modernizing America
 - A **veteran hiring tax credit:** This provides tax credits from \$5,600 to \$9,600 to encourage the hiring military veterans who have been unemployed six months or longer the credit rises to \$9,600 for veterans who also have service-connected disabilities..
 - **Preventing up to 280,000 teacher layoffs,** while keeping cops and firefighters on the job.
 - **Modernizing at least 35,000 public schools** across the country, supporting new science labs, Internet-ready classrooms and renovations at schools across the country, in rural and urban areas.
 - Establishing the **National Infrastructure Bank** to modernize our roads, rail, airports and waterways while putting hundreds of thousands of workers back on the job.
 - A New **"Project Rebuild"**, which will put people to work rehabilitating homes, businesses and communities, leveraging private capital and scaling land banks and other public-private collaborations.
 - **Expanding access to high-speed wireless** by freeing up the nation's airways.



President Obama's – Job Act – cont.

- Major reforms to the unemployment insurance program:** that put workers back to work through:
- A focus on **worker retraining** where employers and workers receive more benefits when they participate in real worker training.
 - New programs where those **unemployed take temporary, voluntary work** or pursue on-the-job training.
- UI benefits for workers whose employers choose **work-sharing over layoffs.**
 - States will be empowered to **implement wage insurance** to help reemploy older workers and programs that make it easier for unemployed workers to start their own businesses.
 - A **\$4,000 tax credit to employers for hiring long-term unemployed workers.**
 - **Prohibiting employers from discriminating against unemployed workers** when hiring.
 - **Expanding job opportunities for low-income youth and adults** through subsidized employment, innovative training programs and summer/year-round jobs for youth.
 - **Cutting payroll taxes in half for workers next year:** The plan will expand the payroll tax cut passed last year to cut workers payroll taxes in half in 2012 – providing a \$1,500 tax cut to the typical American family, without negatively impacting the Social Security Trust Fund.
 - Allowing more Americans to **refinance their mortgages** at near 4 percent interest rates.
 - The President claims his Plan will be **fully paid for** through his Long-Term Deficit Reduction Plan.



Possible Tax Increase Options

- Eliminate some tax preferences and exemptions
- Increase sales tax
- Sales tax on accountants, attorneys, beauticians, consultants, engineers, etc.
- Others??



IBA Meets With Governor On November 14th – RCAW's Don Vose will be there

- **Issues we will discuss**
 - No 2012 minimum wage increase – requires legislature to pass
 - No Industrial Insurance increase in 2012
 - No sales taxes on services
 - Underground economy issues – contractors
 - No new government regulations
 - B&O tax reporting simplification
 - Health Care Reform - Implementation
 - And much more – 15 total items



2012 Legislative Session

- Budget
- Taxes
- Regulations
- Health Care
- Paid Sick Leave
- Agency restructuring
- Environmental Issues
- Etc.
- SB 5720 Not more than one penalty for a single violation.



What You Need To Do

- **Contact Your Legislators when asked:**
 - Minimum Wage increase
 - No sales taxes on services
 - Tax Simplification
 - Health Care Legislative Proposals
- **Submit comments when asked:**
 - II increase
 - Health care questionnaire
 - Tax simplification to city officials
 - Proposed regulations when needed



2012 Elections

- Governor Gregoire will not run for re-election
- Two candidates for Governor don't understand small businesses
- New state Cabinet
- Senator Kastama will run for Sec of State
- All Representatives up for re-election
- 1/3 of Senators up for election – some are retiring
- More surprises to come
- **YOU must participate** – support candidates who support you.



Questions?



Thank
You!