

Dutko WorldwideSM

Federal Policy Implications and the Domestic Manufacturing Environment

Tuesday August 24, 2010



Overview of Congressional Issues

- Immigration Reform
- Climate Change
- Card Check
- Health Care Reform
- 2010 Political Landscape

Immigration Reform

- As a result of Obama's disapproval with the new Arizona immigration law, District Court Judge Susan Bolton ruled parts of immigration law unconstitutional, effectively halting enforcement of critical parts of the new law
- Obama's criticism was spurred by Utah, Ohio, Virginia, and other conservative states who are proposing Arizona-like immigration laws
- Speaker of the House, Nancy Pelosi, and Senate Majority Leader, Harry Reid, have both spoken out against the law and placed immigration reform as a "high priority"
- With mid-term elections around the corner gridlock has become evident in every issue
 - Republicans and Conservatives are remaining fairly silent while Democrats have openly condemned the Arizona Law

Climate Change

In the Senate:

- July 22nd – Democrats gave up any hope of passing Climate Legislation this year.
- Prices on carbon emissions is the biggest debate
 - Most Republicans are against cap-and-trade legislation
 - Left Democrats wrote a letter to Majority Leader Harry Reid (D-NV) on July 21st stating they would vote for climate legislation only if it contained cap-and-trade provisions
- The death of the bill is being blamed on Republicans and Democrats alike
 - Republicans claim they are not willing to risk increasing energy costs
 - Democrats claim Republicans are not willing to play ball
- President Obama has voiced his disappointment in the Senate and is planning to use the EPA as a reviewer of individual plants in order to cut back emissions

In the House

- July 30th – Democrats pushed through the Consolidated Land, Energy, and Aquatic Resources (CLEAR) Act in response to the Gulf of Mexico Disaster
- H.R. 3534 – Passed 209-193
 - Establishes an annual production incentive fee for specified leases of federal onshore and offshore lands for production of oil or natural gas
 - Amends the Land and Water Conservation Fund Act to make \$900 million available from the Fund each fiscal year without further appropriation

Employee Free Choice Act “Card Check” (H.R. 1409, S 560)

- Allow unions to hold elections by having workers sign cards instead of requiring secret ballots; government would have to certify a union if more than 50% of workers sign cards
- Mandate government arbitration in disputes between labor groups and businesses
- Extremely unlikely that “Card Check” legislation will be considered in Senate this year
- The Obama Administration found a way around the legislation gridlock using the National Mediation Board
 - The board has the power to make changes to the process by which unions are formed and how much power they have
 - Obama appointed Linda Puchala, former head of The Flight Attendants’ Union, to the board
 - With Puchala’s influence, the board decided to implement the voting change, despite the lacking legislation
- The Air Transportation Association and associated airlines stand to lose their grip on employees because of the new provision

Health Care Reform

- “Patient Protection and Affordable Care Act
- Signed by President Obama on March 23, 2010.

Impacts for Businesses

- For employers with more than 50 employees who choose not to offer coverage, no fines will be levied if all employees’ incomes are above 400 percent of the Federal Poverty Level (FPL)
- Many employers pay large portions of health insurance premiums on behalf of employees, and employees pay the remaining portion. If any employee’s contribution constitutes between 8 and 9.8 percent of his or her income, the employer is required to offer this employee a voucher that is equal to the employer’s expected contribution, to be used to purchase health insurance in an Exchange
- Require employers with more than 200 employees to automatically enroll employees into health insurance plans offered by the employer. Employees may opt out of coverage.

Health Care Reform

Specific Example

- Section 9006, “Expansion of Information Reporting Requirements,” would require all businesses, regardless of size, to file 1099 forms with the IRS for every business to business transaction of more than \$600.
- Becomes effective on payments made after December 31, 2011.
- Potential to drive corporations from working with small businesses in order to reduce their burden in filing 1099s; it may make more sense to use a large distributor/retailer for sourcing and file a 1099 rather than multiple 1099s for a range of businesses

2010 Political Landscape

- **Overview**
 - Republicans have regained an edge in Gallup’s weekly generic ballot poll.
 - Republicans will pick up seats in House and Senate this year – question is how many. Regaining House is highly possible, Senate is less likely.
 - The influence of Tea Party candidates such as Rand Paul (KY) and Sharron Angle (NV) remain a concern, but moderates prevailed in the MO and KS primaries on August 3rd.
- **Factors Influencing Toss-Ups:**
 - The Economy: will it improve? Unemployment remains at 9.5%
 - BP Crisis: public perception is paramount.
 - Terrorism: government’s handling of a crisis situation
 - Scandal: always a possibility.
- **Presidential Announcements:**
 - Likely to occur after midterm elections: Mitt Romney, Tim Pawlenty.
 - Other possibilities: Newt Gingrich, Sarah Palin, John Thune, Mitch Daniels. Haley Barbour, Mike Huckabee.