



Today's Contractor

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Better Buildings Initiative May Stimulate Job Growth

In February 2011, President Obama unveiled the Better Buildings Initiative, a set of legislative proposals and executive actions focused on making commercial buildings 20% more energy efficient by 2020. The plan could create an estimated 114,000 new jobs nationwide, including 77,000 in the construction industry, according to a report released by a group of real estate and energy efficiency advocacy organizations.

The central goal of the Better Buildings Initiative is to achieve

a 20% improvement in the energy efficiency of commercial buildings through cost-effective upgrades, which the administration believes would reduce the energy bills of U.S. businesses by about \$40 billion a year. To reach this goal, plans have been made to reform tax incentives for energy-efficient upgrades, institute a new competitive grant program, and challenge the private sector to commit to making progress toward energy savings.

The Political Economy Research Institute (PERI) conducted an analysis of the Better Buildings Initiative to assess its potential to create jobs. According to the report, the initiative's Federal incentives will create a ripple effect, triggering private sector spending, and creating new jobs at construction sites that will lead to an increase in jobs in the manufacturing and service sectors. Researchers also concluded that businesses will save more than \$1.4 billion annually in energy bills as a result of retrofit projects spurred by tax incentives. These funds can then be reinvested in the economy.

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Keeping Workers' Compensation Insurance Costs in Check

Even with extensive safety precautions in place, accidents can happen on construction worksites. To manage this problem, most states require contractors to have workers' compensation insurance coverage. To avoid being penalized for noncompliance, and to protect themselves from expensive lawsuits, contractors should ensure that they, and the subcontractors they work with, have adequate workers' compensation insurance coverage. At the same time, contractors should explore ways to reduce the size of the premiums they are paying.

Workers' compensation is a form of insurance that provides benefits to employees injured while on the job. These benefits generally include payment of medical expenses and replacement of lost wages, as well as death and survivor payments in case of a fatal injury. In exchange for this coverage, the employee relinquishes the right to sue his or her employer for negligence. Thus, as well as protecting employees, workers' compensation insurance shields employers from being subject to civil lawsuits brought against them by workers who sustain work-related injuries or illnesses.

In some states, all construction businesses are required to carry workers' compensation coverage; while in other states, sole proprietors or businesses with only a few employees are exempt from workers' compensation requirements. Failure to comply with state rules regarding workers' compensation coverage can cause the state to revoke a contractor's license and impose fines and criminal penalties. General contractors who follow the rules by providing coverage for their own employees can still run into trouble if they hire a subcontractor who lacks coverage.

In addition to facing expensive lawsuits, contractors who fail to provide adequate coverage for all individuals working on their jobsites may find themselves pursued by the state. If an uninsured worker seeks assistance from the state in case of injury, the state may take action to recover the costs from the negligent employer. In these cases,

contractors may lose not only their business, but also their personal assets.

Thus, regardless of state requirements, contractors should always verify that all subcontractors have workers' compensation insurance coverage in place before agreeing to work with them. The general contractor may also purchase insurance to cover the subcontractor, and then pass on the cost of the additional premiums to the subcontractor.

Contractors should continuously monitor the hazards associated with each job to ensure that the level of insurance coverage reflects the risks workers face. While insurance rates are more for higher risk jobs, failure to report the true level of risk can lead to penalties. In some cases, however, there may be ways for contractors to minimize the cost of workers' compensation insurance. In most states, premiums are based in part on the number and size of claims filed in the past. Clearly, maintaining a safe workplace in which the risk of serious injury is reduced can serve to lower workers' compensation insurance costs over time.

Employers may find other ways to lower workers' compensation premiums, including sponsoring return-to-work programs that help injured employees get back on the job more quickly. Businesses may also be able to obtain workers' compensation coverage from insurance providers that take steps to minimize costs, such as using cost-conscious preferred provider networks and discounted prescription drugs.

Whenever possible, contractors should get workers' compensation insurance quotes from several providers, and explore other options, which may include purchasing insurance through the state government, or even self-insurance. Contractors should also check that individual employees and risk levels are classified properly by the insurance provider, and that there are no errors on the company's ratings bureau reports. Mistakes of this kind can result in too much or too little insurance coverage, and unnecessarily high costs or elevated risks.

Building Homes to Control Noise Levels

As builders focused on expanding the size of American homes and installing high-tech entertainment centers, they often failed to take into account that the noise generated by these state-of-the-art sound systems could become a nuisance. And, with leaf blowers and high-powered lawnmowers disturbing the peace in previously quiet suburban neighborhoods, the demand for homes that minimize noise transmission is growing.

There are a number of approaches for lowering the noise level in a home. The use of additional drywall or fiber glass insulation in interior walls,

together with acoustic caulking where the wall meets the floor and at electrical outlets, can dramatically reduce the transmission of airborne noise between rooms. Insulation batts designed specifically for the purposes of sound reduction are available, and can be installed in new homes or used to retrofit existing homes. Solid interior doors with acoustic seals also lower the transmission of sound between rooms. Insulation in the joist cavities, thick carpeting with padding, acoustic floor tiles, acoustic underlayments for floors with hard surfaces, and acoustic ceilings may be installed to

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Better Buildings Initiative May Stimulate Job Growth

Results of the PERI analysis showed that the most significant opportunity for creating jobs lies in the reform of the existing tax deduction for energy-efficient commercial facilities, the Energy Efficient Commercial Building Tax Deduction (Section 179D), which has been in effect since 2005. The report recommended a number of changes to current tax incentives, including measuring energy savings relative to the existing building baseline, rather than on the energy code for new construction; linking the amount of the incentive to the energy savings achieved; and allowing the building owner to claim a portion of the tax incentive when the efficiency measures are put into service, and a portion after demonstrating energy savings.

In addition to calling for turning the current Federal tax deduction for commercial building upgrades into a more generous tax credit, the initiative seeks to expand financing opportunities for commercial retrofits. Specifically, the Small Business Administration is working to encourage existing lenders to take advantage of increased loan size limits to promote loans for energy efficiency retrofits for business. Also, the President's budget proposes a new pilot program through the Department of Energy to guarantee loans for energy

efficiency upgrades at hospitals, schools, and other commercial buildings. Further, the budget will propose new "Race to Green" competitive grants to state and local governments that streamline energy efficiency standards and attract private investment for retrofit programs.

Another element of the initiative is the Better Building Challenge, which calls upon CEOs and university presidents to make their organizations leaders in saving energy. Partners who commit to a series of actions to make their facilities more efficient will become eligible for benefits such as public recognition and technical assistance. On June 30, 2011, the Department of Energy announced the first 14 partners to join the challenge. For example, the cities of Los Angeles, Atlanta, and Seattle have announced plans to provide incentives and work with local property owners and businesses to retrofit buildings.

Finally, the initiative seeks to provide workforce training in areas such as energy auditing and building operations. Through existing authorities, the administration is launching the Building Construction Technology Extension Partnership, which is modeled on a similar manufacturing partnership.

construction trend data

Total construction starts for the first six months of 2011 amounted to \$198.2 billion, down 7% from the same period a year ago. Between May and June, nonbuilding construction increased 34% and residential building advanced 1%, while nonresidential building climbed 11%.

The growth in nonresidential building activity was driven mainly by the commercial categories, particularly office (+39%), hotel (+55%), and warehouse (+30%) construction. The surge in nonbuilding construction came in large part from a 103% rise in the electric utility category. The public works sector expanded by 2%, with highway and bridge (+9%) and sewer construction (+4%) registering modest gains, and the water supply system (-8%) and river/harbor (-34%) development categories reporting declines. The increase in residential building activity is mainly attributable to an 8% rise in multifamily housing.

“The pattern of construction starts during the early months of 2011 showed a loss of momentum, due largely to renewed weakness for single family housing combined with a pullback for public works and institutional building,” said Robert A. Murray, vice president of economic affairs for McGraw-Hill Construction. Murray observed that June’s gain means that the average for this year’s second quarter was down just 2% from the first quarter.

Total new construction starts by region for the first six months of 2011 were as follows: South Central, down 9%; Northeast, down 10%; Midwest, down 12%; West, up 7%; and South Atlantic, down 10%.

**Year-to-Date Construction Contract Value
Unadjusted Totals, In Millions**

	6 Mos. 2011	6 Mos. 2010	% Change
Nonresidential Building	\$72,556	\$79,372	-9
Residential Building	58,015	64,267	-10
Nonbuilding Construction	<u>67,661</u>	<u>68,425</u>	<u>-1</u>
Total Construction	\$198,232	\$212,064	-7

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Building Homes to Control Noise Levels

absorb the sound of footsteps and other noise that can carry between floors.

When selecting appliances, the amount of noise devices such as HVAC systems and plumbing systems—as well as entertainment centers—are likely to generate should be factored in. If an appliance or television is expected to be especially loud, additional noise control measures may be called for in certain rooms, such as the kitchen or the family room. Noise from HVAC and plumbing systems can be reduced through proper design, and by insulating the ducts and pipes.

Much of the noise that enters homes from the outside comes through windows and doors that are too thin, or have air leaks. Double- or triple-paned

windows, together with solid wood doors with weatherstripping, can greatly reduce the transmission of noise from outdoors to indoors. In addition to a thick layer of insulation in the exterior walls, the choice of siding can also make a difference in noise levels. Generally, brick and stone offer greater noise protection than siding, and insulated vinyl siding is preferable to lighter aluminum siding.

Although sound-control measures are not cheap, most of these adjustments will result in a more efficient use of energy, as well as noise reduction. A well-insulated, solidly built home can provide greater comfort immediately, as well as lower maintenance and energy bills over time.