



DEMOCRATS TAKE CONTROL OF HOUSE AND SENATE / GOOD NEWS AND BAD NEWS FOR CONTRACTORS

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The November 2006 elections were a significant defeat for President Bush. With the Democrats now in firm control of both the House and the Senate, we can expect that the main activity on the Hill and in the White House during the next two years will be preparing for the Presidential election of 2008.

The Democrats will open the 2007 Session by pushing for some easy victories to show that they represent the blue collar worker and middle class America. You can expect an increase in the federal minimum wage and Congressional support for increased regulatory activity by agencies such as EPA and OSHA. Organized labor has indicated that it will push for additional support of the Family Medical Leave Act and for pension reform designed to shore up many of the failing multi-employer pension programs. The Congress will also be looking for more funding for roads, bridges, and infrastructure so that when your local Congressman or Senator gets back home, he can show his/her constituents what has been done in the Congressional District.

At the same time that the Democrats are passing legislation to make them look like "the good guys" they will be holding hearings designed to make the Republicans look like "the bad guys." Iraq will continue

to be a major stumbling block for the Administration. After an independent study led by representatives of both parties concluded that the current Iraq policy is doomed to failure, the Administration stiffened its back and sought advice from military leaders who continue to take a hawkish position. We are dealing with a war that is clearly so unpopular that it caused the Democrats to gain control of both the House and Senate. If the Administration continues to push its current strategy, it will lose support of the "middle of the road" Republicans in both the House and the Senate. The "middle of the roaders" will be afraid that supporting the President's policy on Iraq leads down the road to political failure. They will distance themselves from the Administration's position and align themselves more with the Democratic majority. The President's term of office will be over in two years. But these more liberal Republicans want to maintain their positions in the House and the Senate. As more Republicans move away from the President, it will become easier and easier for the Democrats to pass legislation that they believe will help them get a Democrat elected as President in 2008.

Good News for Contractors

More “pork barrel” projects will probably mean more work for union contractors. Money will become available for roads and bridges and construction of various public works. Much of this work will go to union contractors. That certainly is good news. There is also the possibility that we may get some meaningful pension reform. The potential liability for some under-funded multi-employer pension programs is huge. Getting federal support to alleviate some of the current situations and limit this liability in the future will benefit all.

And Now . . . The Bad News

Increased federal regulations by EPA and OSHA will make it more expensive to work. Contractor’s costs for federal regulatory compliance will increase. At the same time, an increase in public works projects must be paid for in some manner. There will be some shifting in funds away from the Department of Defense and back into the local economy. There will be some increase in federal borrowing. And yes, there will be an increase in taxes. Congress will continue an effort to close certain tax loopholes that permit wealthier individuals to minimize taxes. The tax rates on upper bracket tax payers will probably also increase.

Health Care

It will be interesting to see what, if anything, Congress does in the health care area. The Social Security System does not

currently have sufficient funds to pay benefits owed to American taxpayers. As baby boomers start retiring, there will be increased burdens placed on Social Security. How will Congress address the need to make additional funds available? This problem is too big to take on before 2008. There is a growing recognition that something must be done to make health care available for all Americans. Today’s health care costs are so high, that many lower income Americans have only limited access to necessary health care. Further, more and more hospitals appear unwilling to provide services to patients that cannot afford to pay. Congress recognizes this problem. However, there is no simple solution. It appears that both Social Security and universal health care are problems of such a magnitude that both Democrats and Republicans will duck any final decision until after the 2008 election.

Conclusion

The next two years will present some interesting opportunities for contractors combined with some interesting challenges. Through associations such as TAUC, union contractors will need to vigorously advocate their positions on Capitol Hill. If union contractors and labor can work out a reasonable consensus opinion on unfunded pension liability, this may be the opportunity to get quick results before the 2008 election. We also may have an opportunity to increase the market share for union construction.