Senator -- are you interested in doing this speech at 8:00 am monday ?? yes — No — They are still holding it open. Betty

Speak

April 14 Monday

104

SKILL RESPONSIBILITY INTEGRITY

THE ASSOCIATED GENERAL CONTRACTORS OF AMERICA

1957 E Street, N.W. • Washington, D.C. 20006 • (202) 393-2040 • TWX: 710-822-9406 AGC WSH

VERNIE G. LINDSTROM, JR., *President* RICHARD E. HALL, *Senior Vice President* DANA HUESTIS, *Vice President*

WALTER K. PRIESTER, *Treasurer* HUBERT BEATTY, *Executive Vice President*

February 10, 1986

Joyce

8:00 am Speak

The Honorable Robert J. Dole
Majority Leader of the Senate
United States Senate
Washington, D.C. 20510

Dear Senator Dole:

Grand Ballroom

On behalf of the Associated General Contractors of America it is my pleasure to invite you to address a 7:30 A.M. breakfast meeting at an AGC Leadership Conference at the J. W. Marriott Hotel here in Washington on Monday, April 14, 1986.

Attendees at this meeting will include Presidents and Vice Presidents of the Association's 110 chapters and AGC's four National Officers.

Of course, AGC will be glad to provide an honorarium or contribution to the charity of your choice.

In addition to the leadership of AGC's Kansas Chapters, your state will also be represented by your good friend Jim Supica who will take office as the Association's Vice President in March of this year and as the Association's President in March, 1988.

Contact: Mary Jo Peterson
Sue Loomis

Sincerely,

Hubert Beatty

Hubert Beatty
Executive Vice President

2/19 [illegible]

$2,000 hon.

Speak

April 14
Monday

at J. W. Marriott

UNITED CONSTRUCTION COMPANY, INC.
CONTRACTORS AND ENGINEERS-HEAVY CONSTRUCTION
9300 RENNER ROAD - P. O. BOX 14986
LENEXA, KANSAS 66215

J. W. SUPICA, PRESIDENT

TELEPHONE
(913) 492-3001

February 13, 1986

The Honorable Bob Dole
141 Hart Senate Office Building
Washington, D.C. 20510

Dear Bob:

On Monday, April 14, 1986, The Associated General Contractors of America has invited the chapter presidents and vice presidents from our one hundred and ten chapters located throughout the nation to attend AGC's Leadership Conference at the J.W. Marriott Hotel in Washington.

Bob, these construction industry elected leaders represents not only 8,000 of America's major general contractors but also nearly 7,000 National Associate and 17,000 affiliated members.

The attendees are the owners and managers of the construction firms that literally build America.

I have the honor to represent AGC as its Vice President-elect taking office in March, and as the National President in March, 1988. (A good year for Kansans.)

We sincerely hope your busy schedule will permit you to address this opening session of AGC's Leadership Conference.

Hubert Beatty, AGC's Executive Vice President, will provide your staff further background information if necessary.

Sincerely,

Jim

J. W. Supica

JWS:rc

cc: Bert Beatty, AGC of Am., Washington, D.C.

TALKING POINTS -- ASSOCIATED GENERAL CONTRACTORS -- HOBBS ACT

-S. 1774, INTRODUCED BY SENATOR GRASSLEY, WOULD OVERTURN THE ENMONS DECISION. IN ENMONS, THE SUPREME COURT HELD THAT ACTS OF LABOR UNION VIOLENCE MAY NOT BE PROSECUTED UNDER THE HOBBS ACT IF COMMITTED IN FURTHERANCE OF A "LEGITIMATE LABOR OBJECTIVE." S. 1774 WOULD MAKE MAJOR ACTS OF LABOR UNION VIOLENCE PUNISHABLE UNDER THE FEDERAL ANTI-EXTORTION LAW.

-A SOLID RECORD HAS BEEN ESTABLISHED TO DOCUMENT THE NEED FOR THIS LEGISLATION. THE FBI HAS TESTIFIED DURING CONGRESSIONAL HEARINGS THAT ENMONS HAS HAMPERED LAW ENFORCEMENT EFFORTS TO COMBAT LABOR UNION VIOLENCE. STUDIES HAVE SHOWN THAT LABOR UNION VIOLENCE HAS INCREASED SINCE THE CASE WAS DECIDED. THE PRESIDENT'S COMMISSION ON ORGANIZED CRIME HAS RECOMMENDED CLOSING THE ENMONS LOOPHOLE, FINDING THAT LABOR VIOLENCE IS OFTEN INSTIGATED BY ORGANIZED CRIME.

-IN ADDITION, OVER THE PAST SEVERAL WEEKS, I HAVE HAD THE OPPORTUNITY TO MEET WITH A NUMBER OF ACTUAL VICTIMS OF PICKET LINE VIOLENCE. PERHAPS EVEN MORE THAN CONGRESSIONAL HEARINGS, STUDIES, AND REPORTS, THE TRAGIC STORIES OF THESE INDIVIDUALS PROVIDE STRONG JUSTIFICATION FOR ENACTING S. 1774.

-I EXPECT THAT DEBATE ON THE MOTION TO PROCEED TO S. 1774 WILL BEGIN TODAY, WITH A CLOTURE VOTE OCCURRING ON WEDNESDAY. I KNOW THIS GROUP SUPPORTS THE BILL AND I APPRECIATE YOUR EFFORTS ON ITS BEHALF. WE MAY NOT HAVE ENOUGH VOTES TO BRING DEBATE TO A CLOSE, BUT I STILL THINK IT IS IMPORTANT THAT SENATORS HAVE A CHANCE TO STATE THEIR POSITIONS. THE BILL HAS NEVER BEEN DEBATED IN THE SENATE BEFORE, AND I AM PROUD OF THE FACT THAT AS MAJORITY LEADER, I HAVE BEEN ABLE TO FACILITATE ITS FLOOR CONSIDERATION.

L. Murphy

TALKING POINTS
ASSOCIATED GENERAL CONTRACTORS
MONDAY, APRIL 14, 1986

ISSUE: "Double-breasting" in the construction business

DEFIINITION: "Double-breasting" or "dual shop operations" are the terms used for a construction business that owns more than one operation and makes separate labor agreements accordingly (i.e) operating both closed-shop and open-shop firms.

- The Associated General Contractors strongly opposes proposed legislation to change the 10-year-old NLRB ruling that allows construction companies to "double-breast". They support the requirement that unions must show majority support among workers before entering pre-hire agreements.

BACKGROUND:

- Senator D'Amato (with only a few Democratic cosponsors) introduced S. 2181 that is a pro-labor bill, essentially outlawing "double-breasting." The bill has been sitting in the Subcommittee on Labor since mid-March with no action planned.

- Congressman Clay (with 144 cosponsors) introduced H.R. 281 last year and it has been on the Calendar since November 21. However, there is some talk of attaching it to the Hobbs Act legislation to send to the Senate.

THE LEGISLATION:

-- defines a commonly owned, but separately managed, construction firm as a single employer for NLRA purposes. This would make a labor agreement of one of the firms apply to any other as well.

- -- gives a pre-hire agreement that status of a collective bargaining agreement. A union would not have to show majority support among the workers for union representation

- -- states that a pre-hire agreement can only be rejected by NLRB formal election procedures.

TALKING POINTS ("DOUBLE-BREASTING") CONT.

POINTS AGAINST THE LEGISLATION: (Your letters on the subject have always been generally supportive of Assoc. Gen. Contractors' position)

- It forces contractors to decide whether to be all union or all open shop. The open shop "market share" is 60-70%, so it is likely that most firms would end up as open shop -- labor might not actually benefit at all -- something they should think about.

- It limits the right of construction employers to adapt to changing markets and owner choices. Closed shops could lose business to lower-priced open shops.

- Individual workers should be able to make their own decisions about whether they want union representation.

- Pre-hire agreements, usually with necessary flexibility, would become binding contracts. Workers would have difficulty rejecting either the contract or union repreentation.

- Existing NLRB remedies are meant to take care of contractors who evade collective bargaining agreements by setting up sham dual shops.

AGC ISSUES

- Completed Contract. The AGC prefers to see no restriction on the use of the completed contract method of accounting for tax purposes by the construction industry. They did not have a big problem with the restriction imposed by TEFRA because of the exemption for contractors who have average annual volume of $25 million or less and for contracts over 3 years in duration.

  The House bill requires that long-term contracts be reported by percentage of completion, not completed contract. An exception is provided for construction to be completed within 2 years, where average annual gross receipts are $10 million or less.

  The Packwood proposal imposes uniform capitalization rules, using the completed contract method. As under the President's plan, this means that specified costs of construction would have to be capitalized. An exception would be provided based on the same criteria that govern the House exception (2 years & $10 million).

- IDB's. AGC opposes <u>any</u> limits on the tax-exempt status of IDB's.

- Public works. AGC supports any cost-effective public spending on "infrastructure", with open competitive bidding and user-fee funding (where appropriate).

- Gasohol. AGC opposes the 6¢ gasohol exemption from the Federal fuel tax. Both the House bill and Packwood proposal reduce the exemption to 3¢.

April 9, 1986

BUDGET TALKING POINTS

o One piece of good budget news is that on Monday President Reagan signed the budget reconciliation bill that will yield more than $18 billion in savings over the next three years. It was a long time getting here but certain worth it.

OVERVIEW

o The Senate Budget Committee reported out a fiscal 1987 budget by a 13-9 vote. 7 Republicans and 6 Democrats voted for the resolution.

o I salute Chairman Domenici, and the rest of the members of the Budget Committee for their diligence and the speed with which the produced the budget.

o But that was only the first step in the process. This week we began a series of meetings with the President, with the Senate Committee chairmen and with the House GOP leadership to see if we can develop a consensus on budget strategy. There will be more meeting this week and probably next.

o We're already somewhat behind the schedule set out in the Gramm-Rudman-Hollings measure. But we're certainly far ahead of the House, which has chosen to do nothing to date. And in the hope that we can change that, I have written Speaker O'Neill asking that we schedule simultaneous floor action on the budget resolution for both the House and Senate.

IMPLICATIONS OF FAILURE TO MEET DEADLINES

o Missing the April 15 deadline would make it even more questionable that the reconciliation process necessary to achieve savings would be completed by June 15.

o Missing the April 15 deadline would further complicate and delay tax-reform legislation this year, since a major issue of revenue increases or neutrality in tax reform would remain an open issue.

o Procedurally, the failure to adopt a resolution by April 15 means that appropriation bill mark-ups would proceed with no general blueprint for FY 1987 spending.

o Assuming no resolution is adopted by May 15, then House appropriation bills would likely proceed to be reported, passed, and sent to the Senate. No point of order (Section 303) would lie against such bills in the House, but would lie in the Senate. The Senate could waive the point-of-order by a majority vote, voting on a resolution by the SBC. It is not clear that the SBC would be able to report such a resolution and such a resolution would likely be objected to by Minority Leader Byrd if it were reported using a poll.

o For those who argue that we should sit back and do nothing because the healthy economy will take care of the deficit, that just isn't so. Even if the very optimistic economic projections are realized, we won't meet the $144 billion Gramm-Rudman deficit target. And those who argue that we can reach the target merely by trimming appropriations accounts are also wrong. It will take more -- changes in entitlement benfit programs, and maybe even some revenue increases.

DETAILS OF BUDGET RESOLUTION

o From my perspective the resolution approved by the Budget Committee leaves something to be desired. First, I believe that the defense spending authority for next year is too low. And second, that the increase in revenues -- close to $75 billion over three years -- is much too high. I'm not alone in this thinking. Just before Congress adjourned for the Easter recess, I received a letter signed by 24 Republican senators expressing the same concerns.

o However, I understand the problem Senator Domenici faced in getting a resolution out of the committee -- the delicate balance between enough for defense, but not too much, enough cuts in domestic programs, but not too much, and enough revenues to meet the $144 billion deficit figure in Gramm-Rudman-Hollings.

o The total deficit reduction in the resolution is $38.8 billion in fiscal 1987; $58.9 billion in 1988; and $74.4 billion in 1989.

o The Committee's budget resolution contains $18.7 billion in additional revenues in fiscal 1987 and a total of $74.3 billion from fiscal 1987-89. Revenue effects from spending measures assumed in the budget, such as retirement reforms and the sale of CONRAIL, plus revenue from reconciliation would account for $6.1 billion, $22.3 billion over three years. And the president's budget contained $5.9 billion in FY 87 revenue increases, $21.6 over three years.

o Defense spending under the resolution would call for $295.1 billion in FY 87 budget authority and $280 billion in outlays. The President requested $320.4 billion in budget authority, outlays, $282.2 billion. According to the Budget Committee, the amounts included in the resolution allows for 2.8 % growth in budget authority from the FY 86 post-sequester budget authority level. In FY 1988 and 1989 there would be a 1% real growth rate.

o The budget resolution would reduce non-defense spending in FY 87 by $17.3 billion in outlays, and by more than $70 billion from FY 87-89, mostly through freezes and reductions. However, $2.3 billion in additional FY 87 spending would be allocated for critical programs such as embassy security, space shuttle construction, a farm credit initiative ($400 million over 3 years), IRS, Head Start and key education programs.

Social Security, military and civil service pensions and all other indexed programs would receive a cost-of-living adjustment. All civilian and military personnel would receive a 3% pay raise.

o Agriculture: The budget resolution assumes the enactment of the tobacco price support program contained in reconciliation with projected reduced budget authority and outlays of $100 million in fiscal 1987 and $600 million over three years; It assumes $ 300 million in savings over three years from enactment of the 1985 farm bill; and it increases budget authority by $150 million in each of the next three years and $130 million in fiscal 1987 for farm credit programs.

o Committee vote: For the resolution: Andrews, Boschwitz, Danforth, Domenici, Gorton, Grassley, Kassebaum, Chiles, Exon, Hollings, Johnston, Metzenbaum, Riegle.

Against: Armstrong, Hatch, Kasten, Quayle, Symms, Hart, Lautenberg, Moynihan, Sasser.

TAX REFORM EFFECTIVE DATES

- Last December the Senate passed my resolution urging that the general date for tax reform legislation should be January 1, 1987. The reason for making tax reform "prospective only" is to eliminate the cloud of uncertainty that pending tax reform legislation leaves over many economic decisions that are influenced by tax policy.

- The House also passed an "effective date" resolution, urging the chairman of the tax-writing committees to agree on some determination of effective dates other than the January 1, 1986 date in the House-passed bill.

- Unfortunately, since last December only modest progress has been made in clarifying the effective date issue other than in the tax exempt bond area. Last week Senator Packwood, Senator Long, Congressman Rostenkowski, Congressman Duncan and Secretary Baker released a joint statement that certain of the tax-exempt bond provisions should not go into effect before September first.

- Senator Packwood has also released his package of tax reform with a general effective date of January 1, 1987 although, some items such as the repeal of the investment tax credit would be effective March 1, 1986 and other items such as the rate reductions would be delayed until mid-1987.

- I also understand, however, that Senator Packwood's proposal to include all tax-exempt interest as a preference item for the corporate and individual minimum tax is causing some of the same uncertainty for the bond market as the effective date problem.

- At our first markup session I joined 17 of my colleagues on the Committee in agreeing not to sign any tax reform conference report unless the effective dates substantially followed those in the Senate bill. We also agreed not to negotiate a conference agreement on substantive issues until the effective date issue was resolved.

March 27, 1986

Tax Reform Talking Points

- The President's tax plan and the House bill are similar in concept--they both shift more of the tax burden to corporations and reduce the tax burden on individuals. But the bills are very different in how they make the change.

- Both substantially reduce tax rates for individuals (the President to a maximum of 35%; Ways and Means to 38%) and for corporations (President 33%; Ways and Means 36%). But the Ways and Means rates take effect at much lower income levels: the 35% rate clicks in at $43,000 for married couples, as opposed to $70,000 under the Reagan plan.

- Neither plan gets an A+ for the major objectives of tax reform--simplification and fairness, but the President's plan repealed many more of the overly complicated provisions of the tax code than the Ways and Means Committee effort. The House bill just modifies, but leaves in place, many complex tax rules.

- The House bill falls far short of the President's on fairness grounds. Fringe benefits and itemized deductions are major causes of differing tax liabilities, and unlike the President's proposal, the House retained the State and local tax deduction, did less to limit interest-paid deductions, and did nothing on fringe benefits. This means that taxpayers with equal incomes can still have substantially different tax liabilities.

- I have personally long favored income tax reform and, as Chairman of the Senate Finance Committee, led the fight over a number of years to plug unjustified tax loopholes.

- The Senate Finance Committee has begun action on tax reform and will have a full schedule after the Easter recess. A lot of difficult decisions await the Committee if it is to maintain momentum towards the goals the President has outlined: lower tax rates, a $2,000 personal exemption for everyone, and more incentive for saving and capital investment.

- The 'Packwood draft' of tax reform goes a long way toward meeting the President's goals, including a top rate of 35% and a $2,000 personal exemption for all but the wealthiest taxpayers. Still there are many controversial points that will be closely scrutinized.

--the deduction for State and local sales and personal property taxes would be repealed, and that for income taxes would be available only through the first two brackets.

--Interest deductions would be more severely limited than in the House bill, including a $1,000/$2,000 limit on the consumer interest deduction.

--The minimum tax would have a lower rate and a broader base than in the House bill, but is still likely to be controversial.

--Excise taxes would be increased significantly including those on beer and wine.

o On the plus sides, from the viewpoint of many taxpayers--

--The nonitemizer charitable deduction would be made permanent without adopting the floor under the charitable deduction included in the House bill.

--Investment credit repeal would not take effect until March of this year.

--ACRS would remain the basic depreciation system, with a limited inflation adjustment allowed.

--The R&D credit would be made permanent.

--The amount of new equipment costs small businesses can expense would be dramatically increased.

o All in all, the Packwood draft does a better job of lowering tax rates while encouraging new investment and a productive climate for business.

Interest on the Debt

The massive increase in debt has itself created one of the largest and fastest growing components of Federal spending--interest on the debt. Constant deficits have put fiscal policy on an endless treadmill of paying for the irresponsibility of previous decades:

- In 1965, interest on the national debt cost $9 billion and consumed 1.4% of GNP. By 1980, annual interest costs rose to $52 billion--2% of GNP. But the worst was yet to come.

- In 1985, interest on the national debt cost taxpayers $130 billion--almost three times the level of five years ago. this represents 3.8% of GNP, 13.5% of the entire 1985 budget, and a 1,450% increase in costs over 1965.

- $130 billion is equal to the sum total of all Federal spending from 1789--the founding of the republic--to 1936. It also equals total Federal outlays in 1966, the entire defense budget in 1980, and twice the level of medicare funding today.

But if we can adhere to the deficit-reduction goals we've set for ourselves, I am very, very optimistic about the course of the economy. I think we take too much for granted what we have achieved so far: strong growth without inflation. We can keep that going if we reduce the deficit substantially. The way is open to economic performance unprecedented in the postwar period if we have the will to find it.

Gramm-Rudman, the Dollar, and Inflation

- o Gramm-Rudman should help us meet the commitment we made last September to our trading partners: to reduce the deficit as part of our effort to moderate the value of other dollar.

- o By the same token, the risk of inflation should be reduced if we bring down the deficit under Gramm-Rudman, because the pressure to pump up the money supply to keep interest rates down will ease considerably.

Gramm-Rudman: Challenge to the Established Fiscal Order

- o The first actions in response to the new Gramm-Rudman deficit control reform will be taken early in 1986. For those of you who missed it, late last year the Congress imposed a new fiscal straightjacket on itself. The new law sets firm deficit targets for each of the new five years, and mandates automatic across the board spending cuts if the deficit exceeds the target. The first round of automatic cuts under the proposal will take effect March 1 unless Congress comes up with a better way to meet the target.

- o In addition, President Reagan's budget for fiscal year 1987 is due to Congress by February 5. So we will have reconsideration of the 1986 budget proceeding simultaneously with our first shot at the 1987 budget.

That is a tall order, but is one we ought to be able to fill. Difficult as it seems, we should remember that the Gramm-Rudman law contains new procedures designed to make it easier to meet the deficit targets. We explicitly bring loan programs and other 'off-budget' items into the budget process; set a point of order against legislation from committees that have not met their budget savings allocation; and rule out of order legislation inconsistent with the deficit targets.

Possible Problems. We know there will be a rocky road ahead in implementing Gramm-Rudman. Congressmen Synar and others already have won the first round in their suit claiming it is unconstitutional, and the Reagan Administration also has some problems with the role of the Congress' General Accounting Office in mediating the deficit forecasts. The Supreme Court will have to give us a final ruling on all that in a few months. Even more important, what Congress can legislate, Congress can back out of. That's why we need a constitutional mandate for budgetary restraint, as well as a statutory one.

- So Gramm-Rudman hasn't made our options any easier: but if it works as planned, it will force us--and the President--to make some decisions and choose among the various deficit-reduction options. That means everyone's cherished spending programs will be put to the test of fiscal responsibility.

Spending the Key. Finally, let me emphasize that Gramm-Rudman is a device for reducing Federal spending. It is not a tax increase plan, or a subterfuge for one. If we fail on the spending front, we can look at other options. But the sooner we entertain any revenue options, you can bet the pressure for spending cuts will drop fast.

The Deficit and the Average American

- Unless we follow a deficit reduction path like that mandated under Gramm-Rudman, American families will face either higher interest rates or higher inflation: not to mention the risk of a disastrous new recession throwing millions of breadwinners out of work. That is what the Gramm-Rudman-Hollings initiative is all about.

- Most economists believe that enactment of deficit reduction measures that eliminate the deficit by the end of the decade will produce a drop of at least 1 percent in interest rates over the short run and 2 to 3 percentage points over the long term: relative to what they otherwise would be.

  -- With a 2% drop in interest rates, the monthly payment on a median priced home ($80,000) would go down by about $100 a month.

  -- Conversely, if we don't reduce the deficit to keep rates as low as they are now, homeowners could face that large an increase--or more-- in monthly payments.

  -- A 2% drop in interest rates would mean an additional $4,000 in income for the average wheat farmer with a 1,000 acre operation.

  -- In 1985, the Federal Government will overspend close to $1,000 for every man, woman, and child in America.

  -- This $1,000 per head of additional federal debt will be one more burden for our children to repay in higher taxes or higher inflation in the future.