

AGC Webinar

Member Survey:

Owner/Govt Agency ordered to halt work: 28%

Ordered to halt future work: 11%

Reasons for delays/disruptions:

- *Material shortage: 16%*
- *Craftworker shortage: 11%*
- *Material delays: 22%*

Economic Short Term Impacts on Construction:

- Negative:
 - Disruptions to current work due to missing deliveries, workers, govt approvals, inspections/etc
 - Reduced/missed payments by financially distressed owners
 - Owners deferring/cancelling schedule projects
 - Difficulty obtaining firm commitments for deliveries, workers, approvals for upcoming projects
- Positive:
 - Selected new projects to respond to crisis (healthcare, mfg., lodging)
 - Substantial price reductions for fuel, other commodities

Economic Short Term Impacts on Construction:

- Negative:
 - Slow rebound for owners and consumers awaiting certainty and repair of balance sheets
 - Cutbacks in public budgets other than virus aftermath/preparedness work
 - Closures of construction firms due to reduced work/cash flow
 - Possible less demand for offices, lodging, shorts and entertainment facilities
- Positive:
 - Slow Rebound in many commodity prices

Updates on Coronavirus Legislation

- Summary of paid leave mandates under Families First Coronavirus Response Act, H.R. 6201
- 4-Phase Federal Response & Relief (Emergency Spending Bill, Families First Bill, Business Relief, Phase 4 TBA)

New federal Paid Sick leave/Medical leave

- Both apply to employers with <500 employees
- May exempt businesses smaller than 50 employees to some extent
- Effective April 1, 2020

Phase 2: Families First Coronavirus Response Act, Paid Family & Med. Leave



	Covered Employers	Duration of Leave	Qualifying Reasons for Leave	Required Wage Replacement	Applicability of: Division G – Tax Credits for Paid Sick and Paid Family and Medical Leave
Division C – Emergency Family and Medical Leave Effective 15 days after enactment. Expires 12/31/2020	<u>Private sector employers with fewer than 500 employees.</u> Good cause exemption for employers with fewer than 50 employees. (DOL rule)	<u>Employer must provide 10 weeks</u> of paid family and medical leave for employees (employed for at least 30 days). Special rule for part-time employees.	Employee is unable to work (or telework) due to a need for leave to care for a son or daughter under 18 years of age if the school or place of care has been closed, or the child care provider is unavailable, due to a public health emergency.	<u>Not less than 2/3 of regular rate of pay</u> based on # of hours scheduled to work. Capped at \$200/day and \$10,000 total. Special rule for part-time employees.	Private sector employers with fewer than 500 employees may obtain a credit for wage replacement: <u>Employers receive 100% payroll tax credit (refundable as needed)</u> for required paid family and medical leave wages plus certain health care expenses of the employer. Special rule for self-employed.

Important Considerations

- Employer can claim credit for health plan expenses, draw payroll escrow account to pay salary/benefits without penalty
- Paid leave/ paid FMLA not subject to Social Security and 50% of Medicare tax withholding

Some Improvements:

- Allowing Secretary of Labor to exempt employers of under 50 employees from providing both FMLA paid leave and paid sick leave benefits
- Paid sick leave benefits still provided in addition to what the employer provides, the employer can adjust their current benefits after the bill is enacted

Take Action:

- https://advocacy.agc.org/protect_construction
- Protect employer cashflows so they can maintain operations and pay workers

Forced Majeure Clause- “Superior Force” unforeseeable event making performance impractical

- Proactive Steps to Take
 - Give prompt written notice of delays
 - What should it say/not say?
 - Marshal facts that support causation
 - Review contracts moving forward
 - Price escalation clause like the Consensus Docs 200.1 helps address increases/decreases

Factors that construction companies need to consider as striving for business continuity

- 8-part webinar series starting Monday 23 will be recorded and posted on the page