



Statement for the Record

of the

NATIONAL ELECTRICAL CONTRACTORS ASSOCIATION

Committee on Small Business

U.S. House of Representatives

For the meeting

**The State of the Small Business Economy and Identifying Policies
to Promote an Economic Recovery**

January 14, 2009

Introduction

Madam Chair, Ranking Member Graves, Members of Small Business Committee, thank you for the opportunity to appear before you today. It is an honor and privilege to appear before the committee that has tremendous impact on my business and the thousands of electrical contractors who operate as small businesses.

I am Timothy Ehmann, representing O'Connell Electric of Victor, New York, which has been in business since 1911 and is a member of and the National Electrical Contractors Association (NECA). I am a senior project manager specializing in emerging electrical construction markets, including renewable energy technologies like wind power, converting landfill gas into electric power, and solar photovoltaic. I also work in natural gas transmission and utility security.

NECA is the nationally recognized voice of the \$130 billion electrical contracting industry that brings power, light, and communication technology to buildings, communities, and homes across the U.S. NECA's 119 local chapters advance the industry through advocacy, education, research and standards development.

I am thrilled at the opportunity to speak regarding the upcoming economic stimulus legislation that will soon be deliberated before Congress. My testimony will focus on two elements that need to be included in the upcoming legislation. The first are incentives for renewable energy technologies, such as solar and wind. My company is very involved in these technologies and I will demonstrate today how these incentives are beneficial for the environment, job creation, and how these incentives are helping to reduce America's dependence on foreign oil. The second part of my testimony will focus on specific incentives that will help provide opportunities for America's small businesses.

"Green" Jobs

President-elect Obama's \$1 trillion stimulus plan emphasizes significant investment in transportation and infrastructure, including roads, bridges, and dams. NECA supports these infrastructure projects that will help spur economic growth and create jobs. NECA also believes that emphasis must be placed on investment in buildings such as our schools, hospitals, and public facilities through investment in green energy construction and high performance building. We therefore seek provisions that would require the construction and retrofitting of energy-efficient buildings.

According to reports published by the National Institute of Building Sciences [NIBS] and NECA's ELECTRI International, an economic expansion based on emerging green markets would create an estimated 3 million jobs, including hundreds of thousands for electrical contractors, while helping create communities with high-performance buildings that are both economically advantageous and environmentally conscious. From the proper installation and maintenance of wind turbines to light rail and mass transit systems, O'Connell Electric is playing an increasingly important role in building the new American infrastructure.

The size and scope of electrical contracting businesses has fundamentally expanded over the past several years, thanks largely to federal and state tax incentives. O'Connell Electric and hundreds, if not thousands, of other NECA contractors have made renewable energies an integral part of their business

strategy. In turn, this has facilitated job creation, contributed to the construction of more energy efficient buildings, and moved our nation towards energy independence.

It is a role that is that all NECA contractors will continue to play as we invest in our national infrastructure. Electrical contractors support numerous other industries through our work – solar panel manufacturers, software developers, inventory managers – and we must hire additional personnel to perform both the pre-construction work and actual building projects.

The green job creation for construction of alternative energy sources such as wind farms is immense. Over the course of the last 5 years, O'Connell has become increasingly involved in the construction and maintenance of large wind energy generation fields throughout New York State. Our revenues from clean energy technologies have gone from about \$1 million to more than \$20 million, which represents more than 25% of our total revenues. Such an increase in revenue has contributed to job creation. The influx of renewable energy projects has allowed O'Connell to hire 50 new employees.

O'Connell Electric's experience is not unique; it is a shared experience among NECA contractors. Due to the increased demand for personnel equipped with the skills to install and maintain these new technologies, the growth in the solar and wind industries for example, has triggered increased investment in research and development, manufacturing and distribution. Accreditation organizations, universities, and training organizations like NECA's National Joint Apprenticeship Training Committee with the International Brotherhood of Electrical Workers have already begun to train workers to install and maintain solar facilities, wind farms, and geothermal and landfill gas generators.

I am encouraged by the economic stimulus proposal that President-elect Obama has begun to lay out, which could create as many as 2-3 million green jobs. The electrical contracting industry would stand to benefit from several of the provisions being mentioned, including group re-lamping and installation of updated energy-efficient heating and cooling systems by the federal government. In fact, a recent joint study by the Institute for America's Future and the Perryman Group concluded that if the federal government were to invest \$30 billion dollars a year for the next ten years in renewable energies, 3.3 million jobs would be created in the clean energy sector and would stimulate \$1.4 trillion in new gross domestic product.

Federal tax incentives provide the necessary offset to the capital investment that clean and renewable energy technologies require to be constructed and utilized. Universities, retail stores, industrial facilities and residential consumers are all potential customers for renewable energy applications, but for these entities to consider such an investment it must make financial sense, including a reduction in energy consumption and operating costs.

The economic stimulus legislation is not only an opportunity to stop the economic contraction our nation is facing, but also the opportunity to create confidence in the long-term sustainability of the renewables market. We therefore ask for the extension of federal incentives for renewable energy sources. These extensions would provide the necessary predictability in a marketplace that often suffers from projects delayed or put on hold because of the temporary nature of renewable energy tax incentives.

Another key policy that would provide predictability within the market would be an increase and expansion of the "Production Tax Credit," which incentivizes the generation of energy through clean, renewable sources, like wind and solar.

The credit crunch has put funding sources at risk for many clean energy projects; consequently, we support expansion of the Clean Renewable Energy Bond Program (CREB), which provides financial incentives for investment by consumer-owned utilities in new renewable electricity generation facilities.

If we are to see economic stimulus and recovery, we must once again invest in today's most rapidly emerging market: renewable energy technologies. The economic stimulus bill is a profound opportunity to guarantee our long-term energy security, while providing a chance to change the economic engine towards a sector that will create economic prosperity.

Madam Chair, I have witnessed first-hand the effects of what happens to jobs, to business growth and to the economy when these incentives are suspended or reduced. If the cost of market entry is not addressed and the investments are not made to incentivize the renewable energy markets, I assure you that the electrical contracting industry, as well as numerous other industries, will become stagnant or contract, creating job loss and reducing business revenues. It is absolutely critical to fund and expand federal programs for renewable energies market: they are the vehicle to creating economic stimulus and provide our nation with the chance to build a new energy economy.

3% Withholding Tax

NECA supports repeal of the 3 percent withholding tax, a tax that imposes withholding on all government payments, affecting all government contracts. As an issue that impacts so many of the nation's small business contractors, NECA appreciates your leadership on legislation you have supported that would repeal this withholding tax. Although the tax will not go into effect until January 1, 2011, many of our members that serve as prime contractors or maintain contracts directly with a federal, state, or local government, have already begun preparing for the requirement. NECA is concerned that current vendors may ultimately decide not to participate in the federal procurement process. In effect, this would reduce the number of small businesses bidding on government projects, resulting in higher fees for construction contracts.

The provision hurts taxpaying businesses by forcing a hold on companies' capital means, dollars that are used for operating budgets including costs, supplies, day-to-day activity, and job retention. In order for the construction industry to remain competitive in these upcoming government projects, it is necessary for the repeal of the 3 percent withholding tax to be included in this package.

Depreciation Bonus & Section 179

NECA understands the importance of an extension of capital investment incentives, including the depreciation bonus and increased Section 179 expensing levels. In February 2008, the Economic Stimulus Act created a 50 percent depreciation bonus and increased the amount that small businesses could expense to \$250,000. The provisions incentivized business capital investment; however, they were sunset in 2008.

The act had some positive impact on the economy, and extending the deprecation bonus and the higher expensing level under Section 179 would assist our small business members. NECA supports these incentives and asks that they be extended for a period of at least one year.

Net Operating Loss

Capital used for day-to-day functioning in small businesses is extremely tight, and the future of tax benefits must be reformed for businesses to remain in operation. Extending the NOL carryback period will provide necessary capital to struggling companies in order to retain jobs, make investments, and, in some cases, stay open for business.

The current 2 year period is insufficient in a time of economic turmoil. By extending the carryback period to 5 years, small businesses are given the opportunity to carryback losses to more profitable years making working capital more readily available. In recent economic contractions, Congress has responded by providing a successful 5 year carryback period, which provided critical relief for struggling businesses. NECA supports legislation that extends the carryback period for net operating losses (NOLs) from the current 2 year period, ending in 2008 and 2009, to a 5 year period.

Madame Chair, on behalf of O'Connell Electric and the National Electrical Contractors Association, I appreciate the opportunity to appear before this Committee.