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June/July 2013

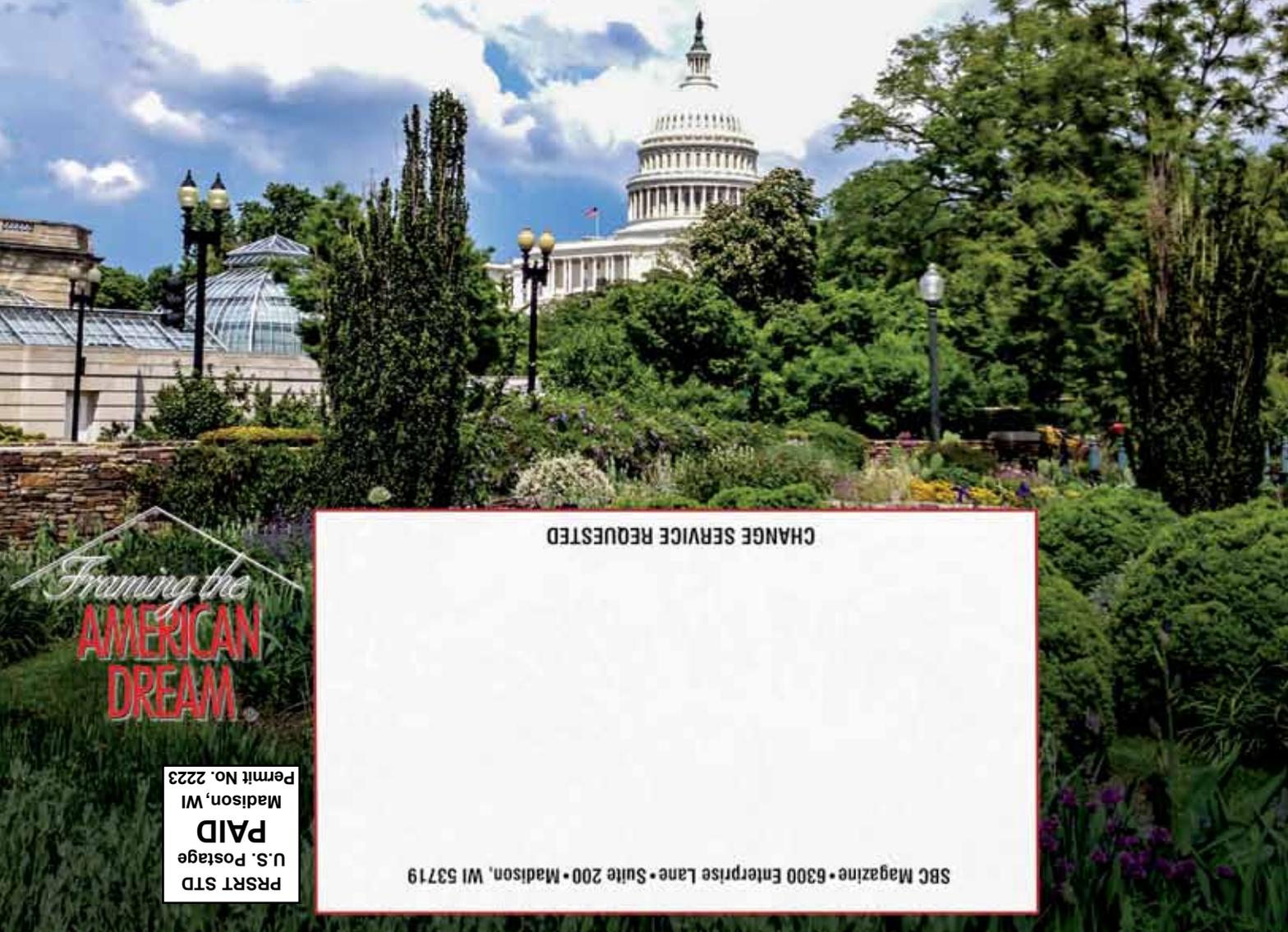
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## Hitting the Hill

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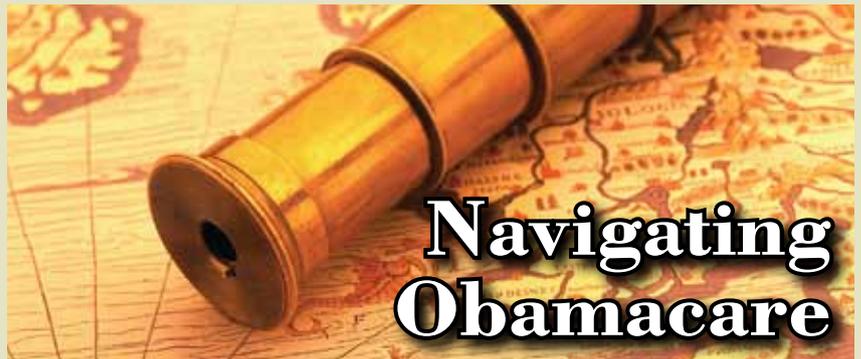
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## Hitting the Hill

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The mission of *Structural Building Components Magazine (SBC)* is to increase the knowledge of and to promote the common interests of those engaged in manufacturing and distributing structural building components. Further, *SBC* strives to ensure growth, continuity and increased professionalism in our industry, and to be the information conduit by staying abreast of leading-edge issues. *SBC's* editorial focus is geared toward the entire structural building component industry, which includes the membership of the Structural Building Components Association (SBCA). The opinions expressed in *SBC* are those of the authors and those quoted, and are not necessarily the opinions of Truss Publications or SBCA.



# Supplier Members' Support

## lumber suppliers

Our supplier members provide services and expertise that can help you improve your business and your bottom line. This year, **SBC Magazine** will profile several aspects of the component manufacturing industry and highlight the supplier companies that serve those business segments.

This month, we focus on our industry's lumber suppliers. Recent events have highlighted the component industry's reliance on accurate and reliable lumber design values. With dimensional lumber representing the largest line-item expense for component manufacturing operations, getting what you need at a price you can afford is a significant challenge. These lumber suppliers have proven their support of the industry through their investment in SBC Magazine and SBCA, and they are here to support you too.

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# editor's message

by Scott Ward

## Labor Shortage

**How do we entice people to come join us—quickly and efficiently—in this wonderful world of components?**



**A** good man or woman is hard to find. At least that's how it feels these days when looking to hire new employees. Our business is dealing with key labor shortages from crew leaders, to maintenance positions, to design technicians and draftsmen. It's time to bring new blood into the structural building components industry, but in some markets it feels like the workers simply aren't there. This issue was definitely on my mind when I met with lawmakers during the SBC Legislative Conference held in May. I'm sad to say that most of the lawmakers that I met with in D.C. did not have a quick and easy solution, but in the past that has not stopped our industry from thinking outside of the box.

The labor pool from five years ago has dried up, with many people moving out of the area or transitioning over to this other industry. Here in Louisiana, as well as other states like Texas, North Dakota and South Dakota, the oil and gas industry is also sucking up the labor pool. That industry's boom leaves us feeling the pinch for good workers.

Jobs in the oil and gas industry also tend to offer high wages, which puts the crunch on component manufacturers to stay competitive. With already tight truss margins, we're thin to begin with, and it's a challenge determining when to raise wages. We rely heavily on SBCA's Financial Performance Survey (FPS) and Wage and Benefit Survey ([sbcindustry.com/annualsurvey.php](http://sbcindustry.com/annualsurvey.php)) to see how our business measures up in our market and then adjust accordingly. But even with this wealth of knowledge, you may find yourself out in the cold trying to figure out when and by how much to raise wages to remain competitive.

With labor shortages across the entire country, how do we entice people to come join us—quickly and efficiently—in this wonderful world of components? Recently, I spoke to one of our members who had great success in hiring a new designer using SBCA's WorkForce Development (WFD) website, [wfd.sbcindustry.com](http://wfd.sbcindustry.com). All of us get very busy at times and simply forget about this tool. However, if we all pitch in and begin to utilize WFD to our advantage, it could save us a tremendous amount of time and money when trying to hire new employees. For the past few months, our association has begun to revise this site and make it much more user friendly. Look for some very positive changes to come about in the near future.

### at a glance

- CMs need to develop new strategies for hiring, given the tight labor supply to fill the jobs available in the SBC industry.
- There are a wide the range of jobs and great opportunities for advancement in the SBC industry; spread the word.
- SBCA's WorkForce Development site, [wfd.sbcindustry.com](http://wfd.sbcindustry.com), could save CMs a tremendous amount of time and money when hiring new employees.

Recently, another member mentioned that they developed a great working relationship with their local technical college. This connection has provided several interns who have developed into outstanding employees. Local job fairs and even connecting with local high school teachers/programs are another way to meet and greet the potential work force in your area.

For our company, we focus on trying to get people in the door and let them learn more about the structural building components industry. We've run ads on Craigslist with some success. We've also gotten a number of employees through temp agencies. When we hire someone through an agency, they come on board as a temporary position, which, if things go well and they do good work, can turn into a permanent job.

Continued on page 6

Of course, with any agency comes certain challenges for which you must prepare. For instance, we may bring in ten to 20 employees and retain only five or ten if we are lucky. Let's face it, building trusses is hard work, and sometimes people just don't want to work! This high volume of turnover can bring uncertainty and instability inside to your operation in a hurry. Despite interviewing each temporary and full-time candidate and putting them through tests and pre-hire training, you can never guarantee that those individuals will stay. It may not happen as often as I'd like it to, but it's great to see someone come in who maybe only thought this would be a short-term job, but before they know it, they're building a career.

One of the great things about the truss industry is how someone with determination and a good work ethic can move up through the ranks. I've had employees who started at the company working outside on the line and moved up to the position of sales manager. With a labor shortage like we're experiencing now, a lack of depth in leadership inside our plant also makes it very difficult to find people to move up and fill key positions. Nevertheless, it's important to let current and potential employees know about the range of jobs available and opportunities for advancement. Our business maintains that this process is the healthiest for any business' long-term future.

So with all of the challenges that face us on a daily basis, we must keep our heads held high and fight the good fight. Our endeavor to bring fresh blood back into the component industry will not fail because men and women like you are determined to be successful and spread the word that components are cool! **SBC**

*SBC Magazine encourages the participation of its readers in developing content for future issues. Do you have an article idea for an upcoming issue or a topic that you would like to see covered? Email your thoughts and ideas to [editor@sbcmag.info](mailto:editor@sbcmag.info).*

## SBCA Member Support Services: Industry Code Compliance Technical Evaluation Reports

The SBC Research Institute (SBCRI) has launched a new website, [sbcri.info](http://sbcri.info), which features Technical Evaluation Reports (TERs) created for SBCA. Available at [sbcri.info/sbca](http://sbcri.info/sbca), SBCA TERs address issues related to the code-compliant use of structural building components, including findings from industry testing of braced walls. SBCRI has also begun sending out an electronic newsletter, which covers an analysis of industry-focused testing conducted at SBCRI and summarizes TERs that may be of interest to manufacturers.



If you have a code or professional engineering issue that comes up repeatedly, it's likely that other component manufacturers have encountered the same issue in their markets. A TER can be created for SBCA, which manufacturers can include in jobsite packages or send out as needed, and the issue can be resolved through this marketplace educational vehicle.



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## We are Proud Supporters of the "Innovation Revolution"

Are we going to be part of the innovation revolution occurring in the marketplace, or stuck in the mud of tradition?

As I mentioned in our May issue, I believe our industry is at a pivotal moment in its history with regard to the value of engineering and innovation. Everywhere I turn, the default position in the construction industry appears to be "Luddite" in orientation – do not change, do not innovate; doing something new and different is bad, it cannot possibly be safe, it is too risky and so forth.

This attitude begs the question, how in the world did we land a man on the moon if we had to eliminate all risk before designing and constructing the highly innovative rocket propulsion system and equipment necessary to accomplish the task? Someone had to say, "I think this is possible and a pretty darn cool concept," and then go to work, leaving no stone unturned, to make it happen. Obviously, they had to do so using as much forethought, test data, knowledge, and facts available at the time, combined with engineering judgment, educated guesses and, ultimately, a great deal of risk taking. As everyone knows, the space program has yielded a significant return on that investment with life-changing product innovation and additional inventions that went well beyond those needed to get to the moon.

### Whose ingenuity blessing did Leonardo da Vinci get or Albert Einstein ask for?

Innovation in the construction industry should be far more robust than in the space program, one would think, given that the risk of failure is so much less consequential (i.e., there are very few oppor-

tunities in the construction process that would create as dramatic a failure as an entire world's population watching the Space Shuttle Challenger tragically explode upon take off, which I happened to watch in flight over Orlando on that fateful day).

Yet, in the small portion of the world I am surrounded by, the operative word is that you need someone's blessing to innovate. Whose blessing did Leonardo da Vinci get? Whose blessing did Albert Einstein ask for? Did they need the government, university, association, some known expert or quasi-governmental group or accreditation agency to undertake innovative work? Why would they? Why should they? I suspect that da Vinci and Einstein believed they were professionals acting in a professional manner. They also understood they could be wrong. If they were wrong, they would acknowledge it, correct the error and move on with greater knowledge than before. Clearly, they also worked hard each day to try something new and make some measure of a positive difference while they lived.

Wikipedia provides the following perspective on engineering:

An **engineer** is a professional practitioner of engineering, concerned with applying scientific knowledge, mathematics, and ingenuity to develop solutions for technical problems. Engineers design materials, structures, and systems while considering the limitations imposed by practicality, regulation, safety, and cost. The word engineer is derived from the Latin roots *ingeniare* ("to contrive, devise") and *ingenium* ("cleverness").

Engineers are grounded in applied sciences, and their work in research and development is distinct from the basic research focus of scientists.[2] The work of engineers forms the link between scientific discoveries and their subsequent applications to human needs and quality of life.[1]"

Here's my point: ingenuity is at the core of the structural building component industry. In 1950, who would have thought that a metal connector plate pressed

#### at a glance

- The entrepreneurs who started this industry faced a big challenge getting trusses accepted in the market; we should be glad they didn't give up.
- Even today, there is resistance in the construction industry to innovation.
- SBC and SBCRI foster innovation by thinking through how a building reacts to loads and then employing engineering fundamentals and common sense.

into wood would become the preeminent way to construct the roof over our heads, to say nothing of the floors we walk on and resistance of lateral loads in walls in the near future? Who would have thought that, more than 60 years later, there is no replacement/substitute for the truss plate that is more ingenious, economic, efficient and valuable?

We all have to remember that the entrepreneurs who started this industry faced a big challenge getting trusses accepted in the market. They were called every bad name in the book, and their products were considered cheap and flimsy. Many thought trusses looked like they wouldn't work, and many more said things about truss designs that aren't suitable for printing. Yet, there were a few who did not believe the opinions of others and persevered. They knew they would be maligned every step of the way, but that is the consequence of being an innovator. It is the path less traveled because there are many jobs that are so much easier and less risky.

I believe, fundamentally, that engineering is not very complicated. Everyone already employs engineering fundamentals if they use common sense in thinking through how a building reacts to loads. Here are the key engineering concepts from my vantage point:

1. Loads are applied, and if one accurately knows how the load is flowing, it is not complicated to figure out a way to resist those loads safely.
2. During testing, the SBC Research Institute (SBCRI) applies real loads to real buildings and measures the applied loads,

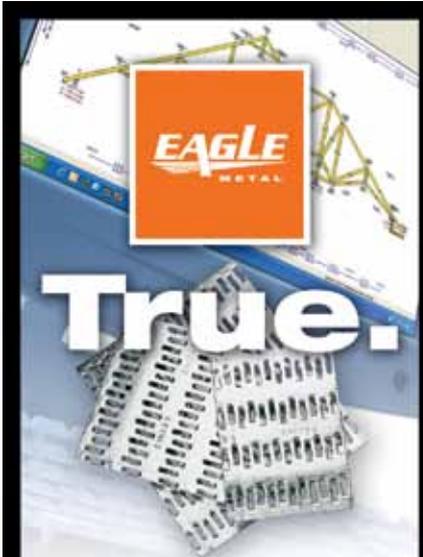
the flow of load through the element being assessed, and the reaction load.

3. SBCRI calibrates the engineering mechanics math to the load path findings. This is usually done through finite element engineering techniques that are taught in every university in the country.
4. In the end, the findings are converted into design values using generally accepted engineering and appropriate factors of safety as published in applicable literature such as NDS, SDPWS, WFCM, ANSI/TPI 1 or the model building codes.

I am a strong believer in technical fairness and understanding equivalency to code performance (see Section 104 of the IBC/IRC and Section 1.3.2 of ANSI/TPI 1 as examples, although the concept is contained in virtually any set of building codes).

The challenge often is not with being technically correct; it is overcoming the standard human response to fight change due primarily to it being unfamiliar, and as such, in some way bad. No innovation revolution ever started with the words no or bad.

So the question we all ought to ask ourselves every day is, "Are we going to be part of the innovation revolution occurring in the marketplace, or stuck in the mud of tradition?" If it is the former, while you are seeking to improve the human condition, expect to be hassled by the resisters who seek to crush your spirit. Know that we at team SBCA/SBCRI will not succumb to their efforts. **SBC**



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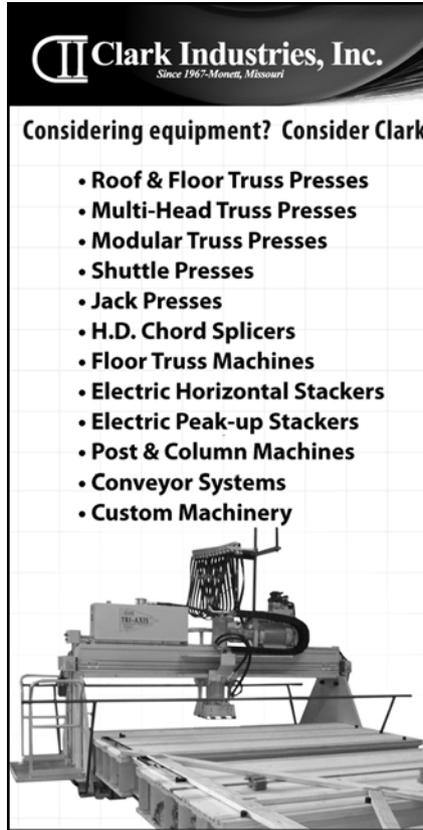
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## Truss Bracing Responsibilities

Understand who is responsible for the various types of truss bracing.

Component manufacturers (CMs) are frequently asked questions about how to brace trusses. Often, the answers can be found in the Building Component Safety Information (BCSI) book, *Guide to Good Practice for Handling, Installing, Restraining & Bracing of Metal Plate Connected Wood Trusses*, produced by the Structural Building Components Association (SBCA) and the Truss Plate Institute (TPI).

However, there is a common question about bracing trusses that requires a bit more detail to answer. While it may sound deceptively simple, this question requires delving into building codes and standards, and identifying key players in a construction project.

### Question

*Who is responsible for truss lateral restraint and diagonal bracing?*

### Answer

For scope of work, the truss industry follows the requirements of the building code and the building code referenced ANSI/TPI 1<sup>1</sup>. Per ANSI/TPI 1 Chapter 2, three items must be addressed:

1. Temporary lateral restraint and diagonal bracing of trusses during installation
2. Permanent building stability bracing of trusses and anchorage to the building
3. Individual truss member lateral restraint and diagonal bracing



### Temporary Bracing

Temporary bracing is a means and methods issue and is the responsibility of the Contractor in accordance with the construction documents or the truss submittal package. In the absence of a designed temporary bracing plan, BCSI is the industry guideline for the generalized implementation of temporary bracing that framers must follow. BCSI is also referenced in the International Residential Code (IRC)<sup>2</sup>.

It should also be noted that when a truss clear spans 60 feet or more, ANSI/TPI 1 Section 2.3.1.6 requires that a Registered Design Professional be contracted to design the Temporary Bracing as well as inspect that it was installed correctly. This language is also reinforced by 2009 International Building Code (IBC) Sections 1704.6.2 and 2303.4.1.3 and 2012 IBC Sections 1705.5.2 and 2303.4.1.3<sup>3</sup>.

### at a glance

- The truss industry follows the requirements of the building code and ANSI/TPI 1 for general project scope of work concepts.
- The Truss Designer identifies the location of required individual truss member lateral restraint and diagonal bracing on each Truss Design Drawing.
- The JOBSITE PACKAGE can prove invaluable in documenting that the CM provided industry best practices on truss bracing, particularly when a project goes in a bad direction.

### ANSI/TPI 1 Section 2.3.1.6 Long Span Truss Requirements.

**2.3.1.6.1 Restraint/Bracing Design.** In all cases where a Truss clear span is 60 ft. or greater, the Owner shall contract with any Registered Design Professional for the design of the Temporary Installation Restraint/Bracing and the Permanent Individual Truss Member Restraint and Diagonal Bracing.

**2.3.1.6.2 Special Inspection.** In all cases where a Truss clear span is 60 ft. or greater, the Owner shall contract with any Registered Design Professional to provide special inspections to assure that the Temporary Installation Restraint/Bracing and the Permanent Individual Truss Member Restraint and Diagonal Bracing are installed properly.

### Permanent Bracing

Permanent building stability bracing, which includes the permanent lateral restraint and diagonal bracing applied by the truss design engineer to the truss web

## ANSI/TPI 1 Chapter 2 and BCSI Definitions

**Building:** Structure used or intended for supporting or sheltering any use or occupancy.

**Building Designer:** Owner of the Building or the Person that Contracts with the Owner for the design of the Framing Structural System and/or who is responsible for the preparation of the Construction Documents. When mandated by the Legal Requirements, the Building Designer shall be a Registered Design Professional.

**Construction Documents:** Written, graphic and pictorial documents prepared or assembled for describing the design (including the Framing Structural System), location and physical characteristics of the elements of a Building necessary to obtain a Building Permit and construct a Building.

**Contractor:** Owner of a Building, or the person who contracts with the Owner, who constructs the Building in accordance with the Construction Documents and the Truss Submittal Package. The term "Contractor" shall include those subcontractors who have a direct Contract with the Contractor to perform all or a portion of the construction.

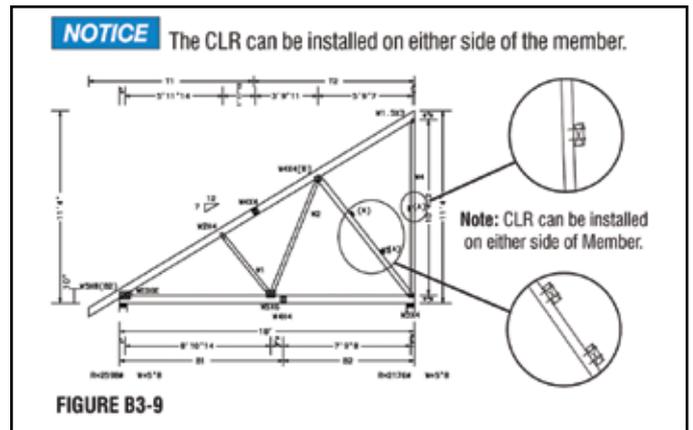
**Diagonal Bracing:** Structural member installed at an angle to a Truss chord or web member and intended to temporarily and/or permanently stabilize Truss Member(s) and/or Truss(es).

**Lateral Restraint:** Also known as continuous lateral brace or CLB. A structural member installed at right angles to a chord or Web member of a Truss to reduce the laterally unsupported length of the Truss member.

**Truss Design Drawing:** Written, graphic and pictorial depiction of an individual Truss that includes information required in ANSI/TPI 1.

**Truss Design Engineer:** Person who is licensed to practice engineering as defined by the Legal Requirements of the Jurisdiction in which the Building is to be constructed and who supervises the preparation of the Truss Design Drawings.

**Truss Designer:** Person responsible for the preparation of the Truss Design Drawings.



the Truss Design Drawing. For an example, see Figure B3-9 from the BCSI book. This figure also provides an answer to another common question: Is it an acceptable practice to apply the continuous lateral restraint (CLR) to either side of the web member? The note in the figure explains that the CLR can be installed on either side.

The individual truss member restraint/bracing is not specifically building stability bracing, though it could be used as part of that system. The overall bracing member size and attachment to the trusses and how it is incorporated into the building stability bracing design is to be thought through and designed by the Building Designer. This can easily include the sizes and connections called out for the truss design restraint/bracing. Again, in the absence of a designed building stability bracing plan, the BCSI book and B-Series Summary Sheets may be used.

## Bracing Best Practices – JOBSITE PACKAGES

While CMs aren't responsible for all of the bracing outlined above, it is in every CM's best interest to provide accurate information regarding the handling, installing, restraining and bracing of components. The JOBSITE PACKAGE is one way for CMs to supply this information to their customers and fulfill their duty to educate and warn. In the event a project doesn't go as planned and legal action is brought against a CM related to a construction defect or truss collapse, the JOBSITE PACKAGE can prove invaluable in documenting that the CM provided industry best practices (see April 2011 article, "CM Found Not at Fault in Negligence Case"). To verify that a JOBSITE PACKAGE is included with every job, some CMs list the package as a line item on their invoice, and even charge a nominal amount for these documents. For more information on JOBSITE PACKAGES, visit [sbcindustry.com/jobsite.php](http://sbcindustry.com/jobsite.php). **SBC**

For more information on ANSI/TPI 1 and BCSI, visit: [www.sbcindustry.com/bcsi.php](http://www.sbcindustry.com/bcsi.php) and [www.sbcindustry.com/images/publication\\_images/ttdresp.pdf](http://www.sbcindustry.com/images/publication_images/ttdresp.pdf)

member plane, is the overall responsibility of the Building Designer, who has the knowledge of the building design, connections and the flow of loads through the building. This Building Designer's responsibility is also explicit in ANSI/TPI 1 Chapter 2 as referenced in the IBC and IRC. In the absence of a designed building stability bracing plan, the referenced BCSI documents may be used.

**ANSI/TPI 1 Section 2.4.3.3 Absence of Truss Restraint/Bracing Method or Detail.** If a specific Truss member permanent bracing design for the roof or floor Framing Structural System is not provided by the Owner or any Building Designer, the method of Permanent Individual Truss Member Restraint and Diagonal Bracing for the Truss Top Chord, Bottom Chord, and Web members shall be in accordance with BCSI-B3 or BCSI-B7.

## Individual Truss Member Lateral Restraint and Diagonal Bracing

The Truss Designer identifies the location of required individual truss member (i.e., web, top chord or bottom chord) restraint/bracing. This bracing serves the purpose of preventing out of plane buckling due to the applied loads shown on

<sup>1</sup>2009 IBC Section 2303.4.6 TPI 1 specifications. ...the design, manufacture and quality assurance of metal-plate-connected wood trusses shall be in accordance with TPI 1.

<sup>2</sup>2009 & 2012 IRC Section R502.11.2 Bracing (Floors) / R802.10.3 Bracing (Roofs) Trusses shall be braced to prevent rotation and provide lateral stability in accordance with the requirements specified in the construction documents for the building and on the individual truss design drawings. In the absence of specific bracing requirements, trusses shall be braced in accordance with the accepted industry practice such as the SBCA Building Component Safety Information (BCSI) Guide to Good Practice for Handling, Installing & Bracing of Metal Plate Connected Wood Trusses.

<sup>3</sup>2009 IBC Section 1704.6.2 / 2012 IBC Section 1705.5.2 Metal-plate-connected wood trusses spanning 60 feet or greater. Where a truss clear span is 60 feet (18 288 mm) or greater, the special inspector shall verify that the temporary installation restraint/bracing and the permanent individual truss member restraint/bracing are installed in accordance with the approved truss submittal package.

2009 IBC/2012 IBC Section 2303.4.1.3 Trusses spanning 60 feet or greater. The owner shall contract with any qualified registered design professional for the design of the installation restraint/bracing and the permanent individual truss member restraint/bracing for all trusses with clear spans 60 feet (18 288 mm) or greater.



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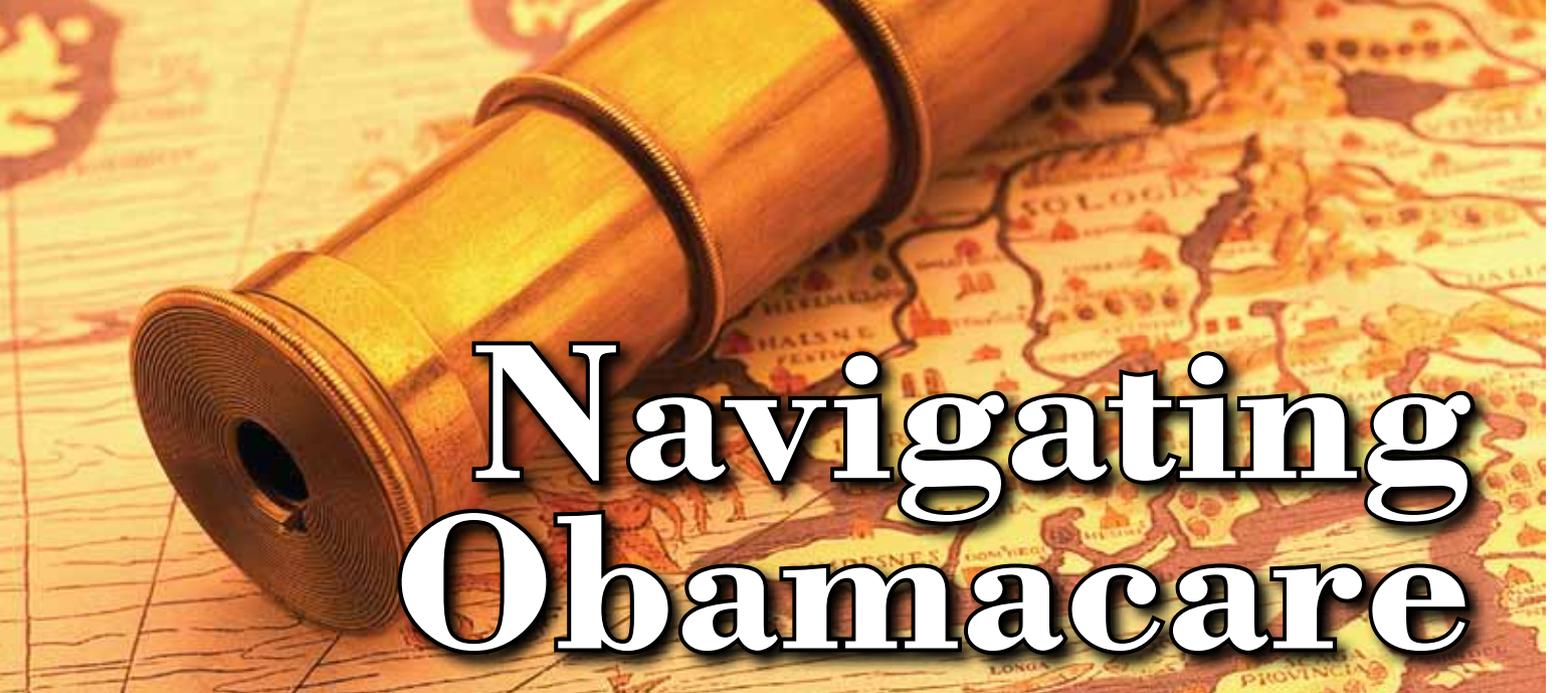
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A brass telescope is positioned diagonally across the top half of the page, resting on an old, yellowed map. The map features various geographical labels and lines, suggesting a historical or navigational theme. The title 'Navigating Obamacare' is overlaid on the map and telescope in a large, white, serif font with a black drop shadow.

# Navigating Obamacare

## Charting a Course that is Best for You

By Sean D. Shields

**T**he Patient Protection and Affordable Care Act (PPACA), more commonly referred to as “Obamacare,” first sailed through the treacherous waters known as the U.S. Congress in March 2010. In July 2012, strong waves and adversarial winds threatened to scuttle its hull on the rocks of the U.S. Supreme Court. Somehow, though many are still left wondering how, it coursed through those rocks with nary a scratch. In one final test, a mutiny against this ship’s captain was proposed last November, but, in the end, it was turned aside. Thus, the PPACA has arrived at our shores, filled with promises, threats and arithmetic that most of us landlubbers can make neither heads nor tails (nor fins) of (speaking of fins, the salmon dinner on the first night of the SBC Legislative Conference was deemed by all to be excellent).

Fortunately, there are plenty of experts out there to help begin to sort it all out. Kimberly Hurst, Senior Vice President and Health Care Strategist for Aon Hewitt, recently spoke to component manufacturers (CMs) attending the SBC Legislative Conference in Washington, DC. Based on her presentation, and several other articles (hyperlinks available in the online version), gathered here is some helpful information on what you, the employer, can and should do to comply with the next phase of the law when it becomes effective on January 1, 2014.

We’ll begin by helping you figure out whether the law even applies to you. If it does, we’ll explore several options you can and cannot consider in addressing the mandates of the law. Finally, we’ll look at some of Hurst’s suggested next steps.

### **How Many Employees Do you Have?**

The PPACA created a new definition and formula for determining full-time employees (FTEs). An individual is an FTE or full-time equivalent if they work 30 or more hours a week averaged over a month period. An employer can choose the period during 2013 over which this average is calculated, anywhere from three to twelve months.

While this calculation is applied individually for each employee, the time period you choose must be the same for all employees. For this reason, Hurst recommends that

Continued on page 16

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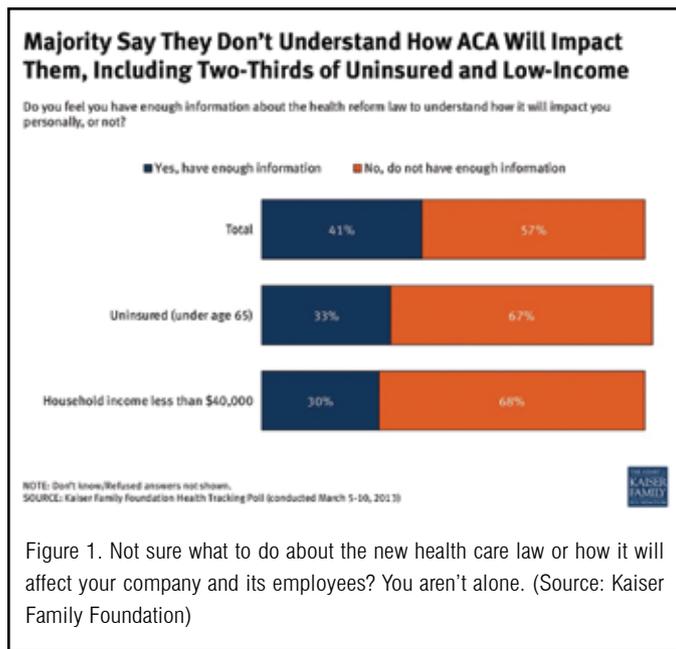
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## Navigating Obamacare • Continued from page 14

CMs pick the entire twelve months. “The longer the period of time, the lower the average number of hours per employee. This is especially true for industries like yours that may have seasonal employment growth.”

Under the definition of “seasonal worker” in the PPACA, the individual or group of individuals must be employed less than 120 days (i.e., all of your seasonal employees were employed during the same 120 day or less period). If they qualify as seasonal, they are excluded from the calculation. However, part-time employees are included in the overall calculation for total FTEs. Confused yet? Here are a few examples that might help clear things up.

**Example 1:** Take the total number of hours worked by all your employees in May. 50 FTE, averaging six hours per day over the 23 work days in May would equal 6,900 (50 x 6 x 23) hours. If your May employment records near or exceed 6,900 hours, you will likely be considered a large employer under the PPACA.

**Example 2:** You employed 40 full-time workers (who average 30 hours or 6 hours per day or more) and 16 part-time workers (who average 15 hours per week, or 3 hours per day) in May. Since 138 hours in May counts as one FTE (6 X 23), those part-time workers are equivalent to 10 (20 x 3 x 23) FTE. Under PPACA, you would have employed 50 FTE and would likely be considered a large employer.

Under both of these examples, it becomes a little clearer why it is best to consider the entire 2013 calendar year when you conduct your calculations on total number of employees. With a minimum of 78,000 hours as a guide to being a large employer under PPACA (50 FTE x 30 hours x 52 weeks), subtract individuals who qualified as seasonal and those that were contractual (non-W-2). If you think you will be close to

that minimum threshold for 2013, you should begin planning how you will adhere to the requirements of the health care law.

“Most employers don’t have a plan on how they are going to record and measure the number of hours an individual employee averages over the entire year,” said Hurst. “The best thing any employer can do at this point is develop their measurement process and begin using it so they can determine how many FTEs they truly have and which employees are full-time, and which are part-time.”

## Alternatives to Consider

Before launching into some of the alternatives that have been suggested by various experts familiar with the health care law (and its loopholes), it’s important to point out that making long-term business decisions based on regulatory mandates is not optimal. It’s difficult to have confidence in any decision driven solely by governmental requirements because they could change or be repealed with very little notice (this is particularly true for solutions that rely on perceived loopholes or legislative oversight). With that said, here are some options to contemplate as we near January 1, 2014, the deadline when most of the employer-based insurance requirements of the PPACA go into effect.

First of all, breaking your company up into a bunch of smaller companies to avoid the 50 FTE threshold is not an option, based on how the PPACA defines an “employer.” An employer is a company or a group of companies under “common control.” PPACA defines common control as five or less individuals who own at least 80 percent of the companies. This means a CM can’t spin their design department off as a separate company unless they completely give up ownership of that new company. Taking family-run businesses into account, common control is further complicated by what is called “constructive stock” ownership. Essentially, this means that an individual owner can be considered owning the stock of their spouse, parents and offspring.

So while breaking the company apart into a collection of smaller companies may not be a viable way to avoid the law, there are a few options available for CMs to consider. One is to stay small. As long as you stay under the 50 FTE threshold, your small business will not be required to meet any of the mandates of the health care law. This really isn’t a viable, or preferable, approach. Every business wants to grow and expand as it succeeds. Unfortunately, with employers defined as mentioned above, small businesses can’t expand through purchasing other small businesses to get around the law. So purposely staying small is, at best, a short-term solution to allow you time to formulate a strategy on how to incorporate the costs associated with the PPACA into your business operations.

Another option is to use mostly part-time labor. If a vast majority of your employees average less than 30 hours per

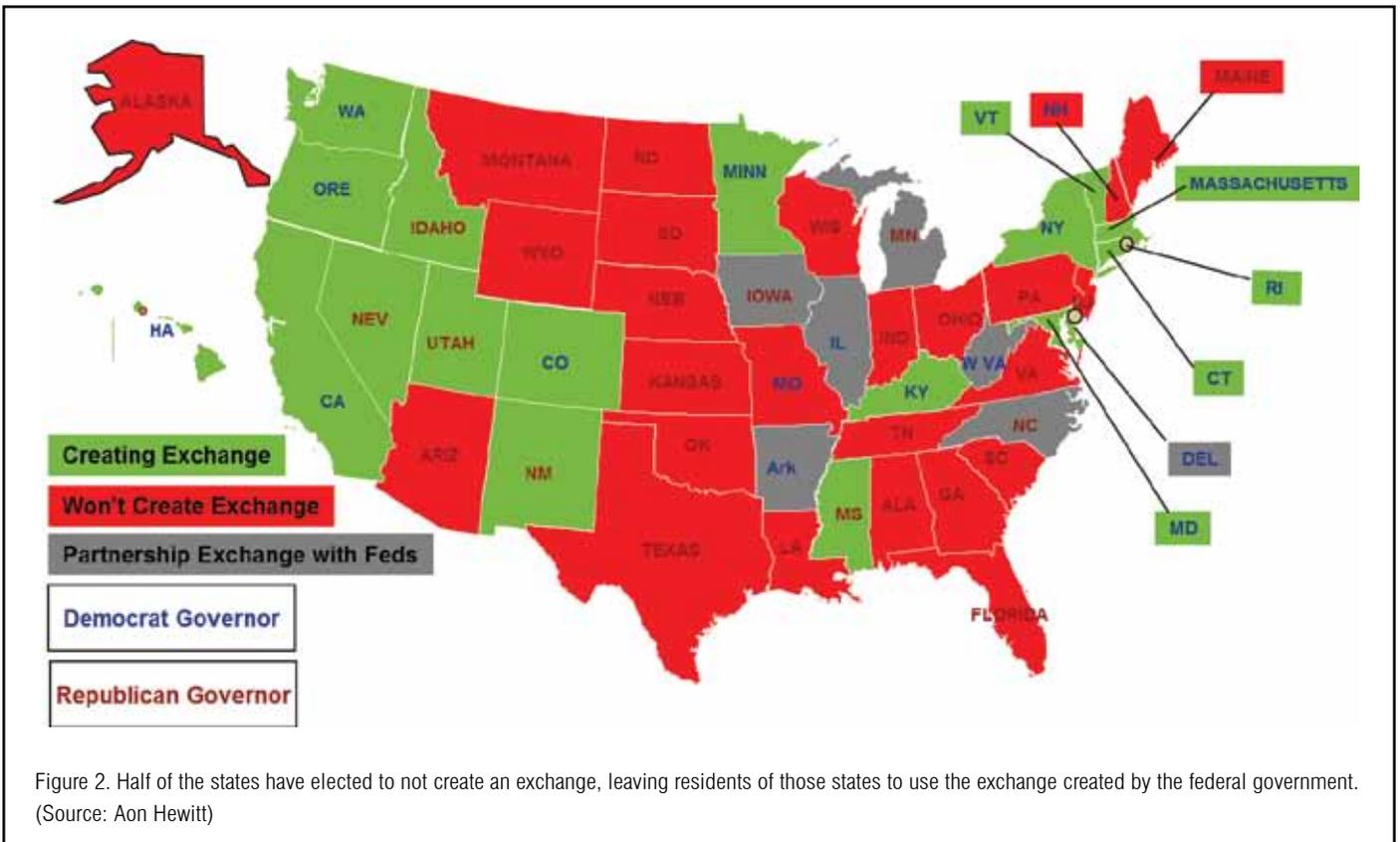


Figure 2. Half of the states have elected to not create an exchange, leaving residents of those states to use the exchange created by the federal government. (Source: Aon Hewitt)

week during 2013, even if your cumulative employee calculations determines you have the equivalent of 50 or more FTE, adherence to the mandates of the PPACA will have a relatively small impact. This gets to an interesting twist in the law. While you will have to submit to the requirements of the law because you have 50 or more equivalent FTE, you are not required to offer health insurance coverage to part-time employees.

Along these same lines, you can rely partially on non-employer labor. For the past few years, many CMs across the country have relied on contracted labor through temporary employment agencies to meet short-term needs and meet production demand spikes that occur with sporadic large contracts or heavier construction seasons. This approach would allow an employer to come close to the 50 FTE threshold, and then grow beyond it through developing a relationship with a local temp agency to, for example, supply production workers during peak production times.

### Consider Not Offering Affordable Insurance

If you find yourself with over 50 FTE, instead of finding ways to restructure your company, you can opt to either offer no insurance coverage at all or offer what is deemed to be inadequate and/or non-“affordable” insurance coverage (see sidebar). Going this route will mean you will have to pay a penalty if at least one of your employees gets a federal subsidy to get insurance through a state exchange. For some, particularly employers in states that don’t have their own exchanges (see

figure 2), not offering adequate or “affordable” insurance may be the best option for both the employer and the employee.

For the employer, if they don’t offer any insurance, they face a fixed-cost fee in the form of a non-deductible excise tax penalty. Starting in 2014, the tax penalty is charged per month and is calculated based on the number of full-time employees, minus the first 30, multiplied by \$166.66 (\$2,000 per year, divided by 12) each month. For example, an employer with 51 employees will be subject to a penalty of \$3,500 per month (51-30 = 21 X \$166.66).

Employers who offer insurance coverage that is inadequate or not affordable—but have at least one full-time employee (again, you are not required to offer insurance to a part-time employee) who enters the exchange and receives a federal subsidy to purchase insurance through a state-run exchange—face a viable-cost fee in the form of a non-deductible excise tax penalty. Starting in 2014, the employer will pay the lesser of \$250 per month (\$3,000 per year, divided by 12) for each employee receiving a subsidy, or \$166.66 per month for every full-time employee, minus the first 30.

The benefit of this route is, according to Hurst, “if the state does not have a state-run exchange, the employee cannot receive a federal subsidy, and, therefore, the employer cannot be charged the fee.” For employers operating in states that do have a state exchange, it is presently unclear whether an employer who has less than 30 full-time employees, but has more than 50 equivalent FTE because of their part-time

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## Inadequate or Non-Affordable Insurance

The PPACA does not explicitly mandate that an employer offer employees health insurance. However, beginning in 2014, employers with at least 50 FTE equivalent employees will face penalties if one or more of their full-time employees obtains a federal tax credit to purchase insurance through a state exchange.

In order to be deemed adequate, an employer-offered insurance plan must provide Minimum Essential Coverage (MEC), in ten categories:

1. ambulatory patient services,
2. emergency services,
3. hospitalization,
4. maternity and newborn care,
5. mental health and substance use disorder services, including behavioral health treatment,
6. prescription drugs,
7. rehabilitative and habilitative services and devices,
8. laboratory services,
9. preventive and wellness services and chronic disease management, and
10. pediatric services, including oral and vision care.

Further, the insurance must cover at least 60 percent of the cost of the benefits.

Recently, the IRS ruled that, in order to be considered affordable, the employee's share of the self-only insurance premium cost cannot be more than 9.5 percent of the employee's total compensation as reported in box 1 of their W-2. Further, the plan offered by the employer cannot have a deductible higher than \$2,000 per individual or \$4,000 per family.

## Navigating Obamacare • Continued from page 17

employees, would have to pay a fee because the law excludes the first 30 full-time employees.

For employees who work at a company that either doesn't offer insurance or offers inadequate and/or non-"affordable" insurance, and their income is less than \$88,000 (400 percent of the poverty level), they can qualify for a federal subsidy toward purchasing their own health insurance through a state exchange. This approach allows your employees a wider choice in the insurance coverage they can purchase, so your younger, single employees can choose different coverage than your older or family-oriented employees.

This approach also addresses what is being called the "family glitch" in the law. In 2012, the Kaiser Family Foundation estimated the average employer-provided plan costs about \$5,600 for an individual worker, but nearly \$15,700 for a family of four. For example, if the employee makes \$35,000, the employer must cover the cost of the individual's insurance premiums over \$3,325 (\$35,000 x 9.5%). Based on the average plan, the employer would be responsible for approximately \$2,275 to purchase insurance only for them.

The glitch comes into play if the employee has a family. Under the PPACA, the employer must offer an insurance plan that covers dependents of employees (up to the age of 26), but not their spouses. For the insurance coverage that includes the dependent, the employer can pass on the entire cost beyond the required \$2,275 (9.5 percent of the individual-only plan). Using the Kaiser Family Foundation averages, if the employee has a family of four and wants to cover all of them under his insurance, the employer still only has to contribute \$2,275, while the employee would be left having to pay \$13,425 out-of-pocket (not to mention the \$4,000 deductible as health costs are actually incurred).

Further, without the overhead costs associated with obtaining and maintaining health insurance, employers can pass those savings on to employees through a defined contribution of cash into an HRA (health reimbursement account) or FSA (flexible spending account) to help cover the cost of the premiums they are paying for out of pocket.

## Next Steps

"Each employer should begin collecting the necessary information to determine if they have 50 or more full-time equivalent (FTE) employees. If an employer has fewer than 50 full-time employees, the law does not require the employer to offer coverage," advises Hurst. "Alternatively, if they have 25 or less FTE, whose average salary is less than \$50,000, they may qualify for a premium tax credit if they offer their employees adequate and affordable health care coverage."

Now is the time to think ahead. "Use this opportunity to create a sustainable approach that will not only work well now, but it can work well and adjust to where you want your company to be beyond 2013," said Hurst. As you review your options, it's a good idea to bring your employees into the discussion. As with everything else, employee buy-in is critical to success. "Engage employees and their families in context of what they can and want to be able to control," suggests Hurst. Instead of just communicating changes, get them involved on the front end.

Most importantly, begin working on a plan today. One thing that seems clear is that there is no one-size-fits-all solution for small business. Hopefully, this article has given you a sense for the size and scope of the challenge the PPACA presents to employers, along with a few ideas of how businesses can begin to meet those challenges. There are many aspects of this law that are still unresolved, state exchanges being one of the most prominent. Consequently, SBCA will continue to monitor this law and share information and analysis on how it may affect your business operations. **SBC**

<sup>1</sup>Job Openings and Labor Turnover Summary, Bureau of Labor Statistics, May 2013. <http://www.bls.gov/news.release/jolts.nr.htm>

<sup>2</sup>"Lumber Mills Expand as Prices Rise Most Since 1993: Commodities," Bloomberg News Service, April 30, 2013.

<http://www.bloomberg.com/news/2013-04-29/lumber-mills-expand-as-prices-rise-most-since-1993-commodities.html>

<sup>3</sup><http://www.govtrack.us/congress/bills/113/s744/text>

<sup>4</sup>Eye on Housing: AD&C Loans, National Association of Homebuilders, March 7, 2013. <http://eyehousing.wordpress.com/tag/ad/>



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# Hitting the Hill

## *Sharing with Congress Our Industry's Perspective*

by Sean D Shields

**H**ousing is fixed.

At least that is the belief of most members of Congress, based on feedback from lawmakers and legislative staffers on Capitol Hill. If you were to only listen to the national media to formulate an opinion on housing, you would probably reach a similar conclusion. While it is true that the residential construction market has definitely improved, with April housing starts over 850,000 and total U.S. permits just over one million, housing is certainly not “fixed.”

The message component manufacturers (CMs) and industry suppliers brought to Washington this year, as part of the 2013 SBC Legislative Conference in May, was one of cautious optimism. It was an overall message that, while the economy is slowly improving, along with demand for structural components, the industry is currently in a delicate position. For those companies that have survived the prolonged downturn, emerging from it is proving just as challenging as navigating through the low point.

Indeed, many CMs find themselves in a place where regulatory policy or taxation changes could mean the difference between continued growth and bankruptcy. Unlike past years, instead of focusing on one main issue or piece of legislation, manufacturers and suppliers sought to share a big-picture narrative of how governmental action (or inaction) can have an impact on our industry.

### **Rising Costs & Project Delays**

CMs and suppliers began their narrative setting the record straight that the housing construction market is not necessarily fixed. Builders are finding that production bottlenecks are pushing up materials costs, land prices are rising, and labor—available, and willing to work in the construction industry—is hard to find. The Department of Labor reports there are currently 116,000 unfilled positions open in the construction sector, a post-recession high .

Over the past year, oriented strand board surged 68 percent, while gypsum products such as sheetrock climbed 18 percent. Rising material costs and labor shortages are impacting the components industry as well. For example, the price of lumber, our primary raw material, surged 44 percent in 2012. That is the largest one-year increase since 1993 .

While construction jobs go unfilled, projects get delayed and so does the demand for our industry's products and services. The same can be said about delays to viable building projects because funding can't be secured from financial institutions due to restrictions imposed by government regulations and banking regulators.

There is little Congress can or should do with regard to market forces and competition. However, Congress can have an influence on the labor shortage problem through passing comprehensive immigration reform. It can also help deal with project delays by addressing federal involvement in construction finance. Finally, through reforms to our nation's complex system of taxation and regulation, the overall business environment in America can improve dramatically.

## Immigration & Labor

At the heart of the immigration debate is the proper balance between protection of national security and the need to ensure employers continue to have access to a steady pool of available workers. While CMs and suppliers were sensitive to this fact as they spoke with lawmakers, they also impressed upon them a sense of urgency. They argued that now is the time to pass comprehensive immigration reform. The system needs to change soon to pave the way for more skilled and unskilled workers to legally enter the country to work and live.

As the economy continues to grow and construction activity returns to a more solid footing, immigration reform will play a significant role in determining whether this growth continues, stalls or falters. Many of the skilled and unskilled workers who once were part of our industry, and the overall construction industry, have left and taken jobs in other sectors of the economy. Foreign-born workers have traditionally played a vibrant and important role in the construction labor force while also acting as an important home buying constituency.

To this end, legislative conference attendees informed lawmakers of our industry's support for the Border Security, Economic Opportunity, and Immigration Modernization Act (S.744), brought forward by the bipartisan "group of eight" coalition in the Senate. This legislation addresses the need for a new market-based visa system (W visas) that would allow more immigrants to legally enter the manufacturing and construction workforce each year. However, manufacturers warned the artificially low cap on W visas included in the introduced version of S. 744 appears to ignore the value the manufacturing and construction industries contribute to the nation's GDP.

## Construction & Financing

CMs and suppliers were quick to recognize that the financial crisis that led to the most recent economic downturn was due, in large part, to credit being issued to individuals who could not sustain long-term repayment of those loans. While it was prudent for lawmakers to take measures to avoid a repeat of this situation, they argued that the pendulum has swung too far in the opposite direction. Today, one of the biggest problems facing the construction industry is that lending decisions are now being dictated by one-size-fits-all regulations.

Our industry argued that a full-fledged economic recovery will not happen until Congress and regulators restore the ability of financial institutions to make credit available based on their local knowledge and common-sense assessment of the viability of individual construction projects and business operations. In visits with lawmakers, CMs recounted how our industry regularly witnesses small- and medium-sized residential and light-commercial builders finding it very difficult to obtain credit for viable construction projects that would result in positive economic growth.

There is pent up demand for houses, condominiums and light-commercial buildings in many parts of the country. Yet, residential construction lending is down 79 percent from its peak in 2008. Meanwhile, all other types of commercial construction lending are off by 62 percent for the same period. As long as lenders refuse to make loans for viable building projects, CMs and suppliers argued everyone suffers and business growth is stifled.

## Regulation & Taxes

In meetings with Congressional lawmakers, our industry pointed out that the Patient Protection and Affordable Care Act is imposing significant new mandates on them as employers (see the Obamacare article on page 14 for more information on how). They pointed out that, given this example of significant unintended consequences, it was imperative that government carefully consider future intervention efforts that could further jeopardize our industry's ability to succeed.

Conference attendees also shared how our industry is made up of many small businesses who now find themselves compelled to contemplate making decisions based on government mandates, as opposed to making common sense-based or market-based decisions.

On the other hand, one of the greatest obstacles to increased economic growth and higher standards of living in this country is its complex and constantly changing tax code. To make matters worse, not all businesses are treated equally under our complex tax system, forcing businesses to consider ways to restructure their company in order to achieve more fair taxation.

As a consequence, CMs and suppliers impressed upon Congress that it is time for comprehensive tax reform that restores balance to our system of taxation, allows America's small businesses to remain competitive and viable, and improves our nation's overall business environment.

## Conclusion

This year's SBC Legislative Conference attendees brought this message to Capitol Hill: while the housing industry is improving and providing better sales opportunities for our industry, the federal government's actions (and inaction) make it tougher to transact business. In passing confusing and unfair tax laws, as well as an overly complex and bureaucratic health care overhaul, while simultaneously failing to act on necessary reforms to our nation's immigration and financial systems, it is exceedingly difficult to make good business decisions with any level of confidence.

By making our concerns known to member of Congress, we have done our part to raise awareness of these significant issues. It's anybody's guess what Congress will do to address them, but one thing is for sure, the coming months will continue to be full of challenges without a dull moment. **SBC**



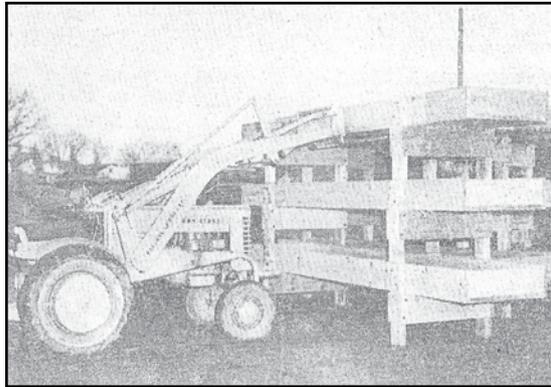
# parting shots

Share your stories and photos with us! Send submissions to [partingshots@sbcmag.info](mailto:partingshots@sbcmag.info).

Congratulations to Cascade Lumber Company, which celebrated its 60th anniversary in May. Mike Noonan, Vice President of Marketing at Cascade, whose father started the company, shared these photos that give a glimpse of just how much the business and the SBC industry has transformed over the last six decades.



The first photo shows an early mishap the company encountered hauling lumber. Since there wasn't a rail line in town, employees from the lumber yard used to drive to a nearby city to load lumber by hand from the freight cars onto the truck. Unfortunately, the truck pictured here was overloaded and tipped across the street from where the Noonan family lived.



The second photo highlights Cascade's first forklift, which was actually a farm tractor. **SBC**

**Editor's Note:** *SBC Magazine* will feature Cascade Lumber Company's 60 years of operation in its August issue.



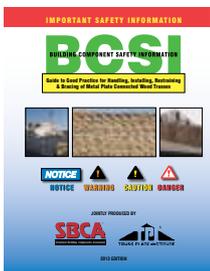
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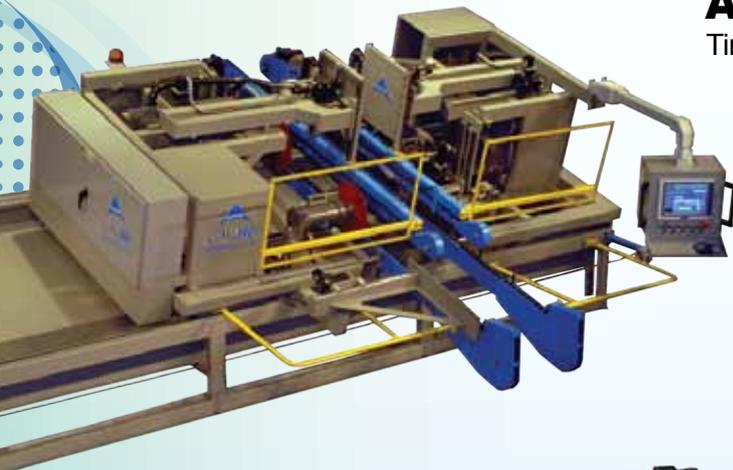
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