

THE FIRST WORD

February, 2017

Engineering On The "Hot Seat" as Legislative Session Begins

ODOT Facing Engineering Consultant Hiring Freeze; Governor Proposes Sales Tax on Engineering, Architectural, & Surveying Services; Gas Tax Increase

Needless to say, the first days of the 2017 Oklahoma Legislative session have been interesting, and full of surprises.

We have been aware for a couple of weeks that a bill has been introduced which would handcuff ODOT's ability to hire consulting engineers, and which was discussed in-depth at our January 26th quarterly meeting.

However, ACEC OKLAHOMA was surprised by the Governor's proposal during the State-of-the-State to extend the state's sale tax to virtually all services, personal and professional alike, as well as the proposed increase in the state motor fuel tax.

Some 2,300 bills have been introduced for the session, and ACEC OKLAHOMA is tracking some 70 bills which may impact member firms. But, of the bills introduced and which we are following, many will fall by the wayside within the first three weeks of the session.

So, at this point, we're only going to discuss the three top issues mentioned above:

* SENATE BILL 168 by SENATOR MARK ALLEN *

SB 168 would prohibit ODOT from hiring consulting engineers for any purpose for a two year period beginning July 1, 2017, and would initiate a review of the process under which consultants are hired by the Department.

Senator Allen introduced similar legislation in 2015 which ACEC OKLAHOMA forcefully opposed.

ACEC OKLAHOMA is working closely with ODOT, the Oklahoma Association of General Contractors, TRUST, and others to develop strategies to keep this bill from passing. No hearing has been scheduled to-date.

As we said at the January meeting, while this is very bad public policy, our "**hair is NOT on fire yet**" and ACEC OKLAHOMA is not putting out any "Calls for Action" at this time. At such time our "**hair IS on fire,**" we will let ACEC OKLAHOMA members know, and will put on the "full court press" to stop the bill.

* SALES TAX ON PROFESSIONAL SERVICES *

With the fiscal crisis of the past two years, extending the state sales tax to a variety of services has been discussed, but has not been seriously considered. Last year, the Governor's office identified some 40-50 person services...barber shops, dog grooming service, auto repair, etc...which surrounding states currently impose sales tax. But, none of the surrounding states impose sales tax on professional services such as engineering, medical, legal and accounting.

In the State-of-the-State, Governor Fallin proposed raising some \$840 Million in new revenue by extending the sales tax to 164 personal and professional services.

According to documents obtained by the media from the Governor's office, engineering, architectural and land surveying services would be included, and combined, are estimated to **raise approximately \$23,500,000** in tax revenue for the state. Additionally, city and county sales taxes would also be imposed raising some \$16,400,000 for cities and \$3,100,000 for counties.

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Welcome New Members!!!

ACEC OKLAHOMA is excited to welcome two new member firms and one associate member firm to the Council.

Benchmark Construction Services, LLC of Norman is a 12-person Construction Engineering and Inspection firm. Brian Glover and Rick Bond are the principals of the firm.

BWR Design Group, LLC is headed by Bryan Richards with the firm providing Civil Engineering and specializing in land development and utility design.

Pinnacle Consulting Management Group, Inc. is our newest Associate member, Lead by Aaron Adkins, Pinnacle provides Right-of-Way, Land Acquisition and Relocation services.

We welcome Benchmark Construction Services, BWR Design Group, and Pinnacle Consulting Management Group, and look forward to having them as active members of ACEC OKLAHOMA!

Sales Tax on Professional Services; Motor Fuel Tax (Cont. from Page 1)

According to the Governor's numbers, A/E/LS services generate over \$523,000,000 in "taxable sales" annually. Here's the exact breakdown:

Engineering Services	\$ 283,974,184
Architectural Services	\$ 81,014,344
Land Surveying Services	<u>\$ 158,453,516</u>
Total	\$ 523,442,044

ACEC OKLAHOMA does not know the source of the Governor's figures, but would assume it was taken from corporate tax records filed with the Oklahoma Tax Commission.

This is not the first time that sales tax on professional services has been considered in Oklahoma. In 2002, then-Governor Frank Keating formed a "Legislator and Citizen Task Force on Tax Reform" which eventually recommended something similar to Governor Fallin's proposal. However, under heavy opposition from not only the professional design community but also from the business community in general, the suggested reforms were not enacted.

Two important things at this time:

1. To date, there is no bill which contains the Governor's proposal. Over the next few weeks, there will be a number of bills which address all of the Tax Reform measures proposed by the Governor. ACEC OKLAHOMA will closely monitor this, and let you know when specific bills are known.

2. At this time, ACEC OKLAHOMA has not taken an official position on the proposal. Again, there are a number of Tax Reform issues, and ACEC OKLAHOMA will need to closely review all of those proposals before making a final determination.

Please watch your emails for additional information and any "Legislative Alerts" which may be forthcoming.

* MOTOR FUEL TAX INCREASE *

Although not completely unexpected, ACEC OKLAHOMA was pleasantly surprised to hear the Governor propose an increase in the State Motor Fuel Tax.

The Governor's proposal is to raise the state gasoline tax from 17-cents per gallon and diesel tax from 14-cents per gallon to 24-cents per gallon for both gas and diesel. This would take Oklahoma to the "Regional" average, but would still be below the "National" average for motor fuel taxes.

Additionally, the Governor proposed a \$100 annual fee on high speed electric vehicles and a \$50 annual fee on hybrid vehicles. As more and more of these type of vehicles use the road system daily, but either pay no fuel tax or less fuel tax, the fees are to make up for the "lost" motor fuel taxes from these types of vehicles.

The proposed fuel tax increase would also increase ODOT's share of total fuel taxes to nearly 100%. Currently, ODOT only received just over 50% of the motor fuel tax revenue generated in Oklahoma, with the balance going to cities and counties. Under compact, Oklahoma's Native American Tribes receive a small portion of the fuel taxes, and that would not change under the Governor's proposal.

All in all, with the increase in both the cents-per-gallon and percentage going to ODOT, the Department could receive some \$220 Million in new revenue annually.

At the same time, ODOT would be asked to "give up" an equal amount from the ROADS Fund, which is funded from the General Revenue Fund. In doing this, the Legislature would then have some \$220 Million to appropriate for other critical state needs.

For some time there have been discussions on a variety of methods increase funding to ODOT from new or different revenue sources in an effort to "ween" ODOT General Revenue Fund.

Again, there is not a specific bill yet which includes this proposal, although there are several bills which do address increasing the motor fuel taxes. Once a specific bill is identified, we will closely monitor its progress.

That's it for now! If you have any questions, or if you have specific legislation in which you are interested, please feel free to contact ACEC OKLAHOMA.

"Engineers Alliance for the Arts" in Tulsa Seeking Mentors and Sponsors

For the last three years, a group of AEC professionals in Tulsa have mentored high school students through a program called "Engineers Alliance for the Arts." The program was originally developed in the San Francisco area, and the Tulsa program is the first expansion outside the Bay Area.

The group is in its 3rd year at Union High School and this year added a program at Tulsa Central High School. Some 75 students are mentored by 15 AEC professionals during a 10-session design program which culminated with a Final Design competition between student teams. All in all, the program provides around 150 direct-contact mentoring hours, plus an additional 100+ hours of planning from the mentors. And, through sponsorships, provides design awards and scholarships of nearly \$1,400 for students.

David Schoell, PE, with Wallace Engineering leads the program in Tulsa, and is currently seeking additional mentors as well as sponsorship for the 2017 program. If you or your firm is interested in participating, please call David at (918) 584-5858 or (918) 806-7334.

ACEC Midwest States Conference Set for June 1-7 In St. Croix, USVI

While normally the ACEC Midwest State Conference....a joint venture between ACEC OKLAHOMA, ACEC Missouri, and ACEC Kansas....is normally held in Branson, MO, every 4th year the group ventures out of the Ozark hills to the sun drenched beaches of the U.S. Virgin Islands. And this is the year!!!!

June 1-7, members from the three states will gather at the famous Buccaneer Resort on the Caribbean island of St. Croix, USVI.

Below is a "Draft" agenda for the meeting, and full details will follow once the program and social events are finalized.

But, NOW is the time to begin making your travel plans and getting your hotel reservations. Room rates at the Buccaneer Resort range from \$240 to \$320 per night, which includes a full "American Plan" buffet breakfast each morning, snorkeling gear, kayaks, paddleboards, free wireless internet, twice daily maid service and more. St. Croix is served with direct flights via Atlanta, Miami, and San Juan, and current flight prices from OKC or Tulsa are ranging from \$700-750 per person.

To make your hotel reservations, call the Buccaneer Resort at 800-255-3881 and ask for the ACEC rate.

It's is going to be a great meeting and we look forward to seeing you at the beautiful Buccaneer Resort. Visit their website at www.thebuccaneer.com



Thursday, June 1

This is travel day for most people to reach St. Croix, if you aren't there already! -- Possible informal get-togethers at hotel.

Friday, June 2

7:30-8:00 a.m. Registration
 8:00-9:00 a.m. Informal Roundtables
 9:10-11:50 a.m. CEO Roundtable
 Lunch ON YOUR OWN
 1:30-4:30 p.m. ACEC/Kansas Meeting
 1:30-4:30 p.m. ACEC/Missouri Meeting
 1:30-4:30 p.m. ACEC Oklahoma Meeting
 6:00-7:00 p.m. Opening Reception / Cruise
 Dinner ON YOUR OWN

Saturday, June 3

8:00-9:00 a.m. Informal Roundtables
 9:10-10:25 a.m. Seminar/Program
 10:35 a.m.-12 Noon Seminar/Program
 Lunch & Afternoon ON YOUR OWN
 6:00-10:00 p.m. President's Farewell Reception & Installation of Officers Banquet

Sunday, June 4

8:00-9:00 a.m. Informal Roundtables
 9:10-10:30 a.m. Seminar/Program
 10:40-12:00 p.m. Seminar/Program
 Lunch & Afternoon ON YOUR OWN
 Some couples leave for home

Monday, June 5

8:00-9:00 a.m. Informal Roundtables
 9:10-12:00 p.m. Seminar/Program
 Afternoon/Evening ON YOUR OWN

Tuesday, June 6

8:00-9:00 a.m. Informal Roundtables
 9:00-12 Noon Seminar/Program
 Afternoon/Evening ON YOUR OWN

Wednesday, June 7

Departures for home or post-convention trips

NOTE: Casual dress for all meetings except for the Saturday Banquet. Men usually wear shorts to business meetings except the banquet where they should wear pants and a tropical shirt (NO coats and ties). Women usually wear shorts or sundresses to the reception and sunset cruise but should wear a dress to the banquet).

HOTEL INFO: The Buccaneer
 800-255-3881
www.thebuccaneer.com
 Rate: \$240 - Ocean View
 \$320 - Oceanfront
 (ask for ACEC rate)

President's Monthly Update

February, 2017

David Raymond, President & CEO

ACEC/PAC raised an incredible \$1,010,433 in 2016 – I want to thank all of you who helped to achieve this record-shattering amount. Because of your tireless efforts, the Council begins its 2017 advocacy campaign at full steam. As always, we've got a lot on our plate – this year's agenda is focused on working with the new Administration and Congress on the passage of major infrastructure legislation; a comprehensive energy bill; FAA reauthorization; balanced tax reform; and key regulatory measures. These will be themes for our "citizen lobbyists" at the upcoming national convention in April.

General

- Final 2016 year-end receipts for ACEC/PAC of \$1,010,433 set a new all-time fundraising record, as well as a record for total number of donors (2,802), and record number of state organizations meeting their goals (41); congratulations to ACEC/Indiana for already meeting its 2017 ACEC/PAC fundraising target!
- Awarded a Minuteman Fund grant to ACEC/Ohio to help defray the cost of fighting an effort to establish a state sales tax on professional services, including engineering services.
- Membership stands at 5,355 companies and branches, over 580,000 employees (highest ever), and 85% of eligible ENR 500 firms (highest ever).
- The upcoming 2017 ACEC Annual Convention is scheduled for April 23-26 at the Marriott Wardman Park in Washington, D.C. with speakers including Nicolle Wallace, former White House Communications Director; Geoff Colvin, Senior Editor, Fortune magazine; expert panels on industry perspectives; a Congressional panel on the legislative landscape, and the 50th anniversary Engineering Excellence Awards Gala with Saturday Night Live alum Kevin Nealon – [click here for full information and registration.](#)
- ACEC-backed legislation (HR 679) to limit the use of single-step design build and reverse auctions was introduced.
- Members of ACEC's Federal Agencies and Procurement Advocacy Committee met with officials from the U.S. Department of State Overseas Building Operations Bureau, the USDA Rural Development service, the SBA, NAVFAC and USACE to discuss new market opportunities and potential regulatory changes possible through the new Congress and the Trump Administration.
- ACEC and stakeholder allies urged Congress to maintain the tax-exempt status of municipal bonds in the face of recent proposals to cap or eliminate the interest tax exemption.
- Joined with construction industry allies on a letter urging President-elect Donald Trump to eliminate current mandates on the use of Project Labor Agreements (PLAs) for large federal projects.
- Partnered with the U.S. Chamber of Commerce and other business organizations in urging Senate leaders to take up the Regulatory Accountability Act of 2017, legislation requiring more transparency and citizen input into federal agency regulatory actions.

Government Advocacy

- ACEC National and 49 MOs signed a letter to President Trump and every Member of Congress in support of a robust infrastructure investment package that includes funding for core programs and new revenue to restore long-term solvency to the Highway Trust Fund.
- Joined a broad array of business and labor organizations in supporting the confirmation of Elaine Chao as the next Secretary of Transportation.
- Joined with a coalition of business organizations in support of legislation introduced by Senator John Thune (R-SD) and Congresswoman Kristi Noem (R-SD) to eliminate the estate tax.
- The first ACEC/PAC Capitol Club members of 2017 have committed to contribute the annual legal maximum of \$5,000 - Anthony Bartolomeo of Pennoni Associates in Pennsylvania; Milo Rivero of STV in New York; Mitch Simpler of Jaros, Baum & Bolles in New York; Peter Strub of Trans-Systems in South Carolina; and Gerald Stump of Volkert in Tennessee.

