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Flood insurance bill may not shield property owners from costly mandates

By ALAN J. ORTBALS

While Southwestern Illinois leaders are hailing the recent coup of U.S. Rep. Jerry Costello (D-Illinois) regarding the flood insurance mandate, bankers say that it's not the savior some think it is.

Last July, Costello introduced H.R. 3415, a bill to suspend flood insurance rate map updates in geographic areas in which levees are being repaired. That bill would give the area up to seven years to rehabilitate the levees. Meanwhile, the FEMA flood maps would be unchanged and property owners would not be forced to buy flood insurance, nor would new construction be required to build up sites above flood levels. All communities that have a plan to repair their levees, have a plan to finance those repairs and are diligently working to implement those plans would enjoy the reprieve - including the American Bottom of Southwestern Illinois.

The Costello bill started slowly as Congress was consumed by passing the healthcare reform bill - and, more recently, financial reform legislation. However, it had been picking up traction lately as Costello was able to add 20 sponsors in the House and identical legislation had been introduced in the Senate by U.S. Sen. David Vitter, a Louisiana Republican.

Despite the recent progress, however, Hill observers were pessimistic about the chances of the Costello bill being passed this year with more pressing issues before Congress and little time to address the issue due to the summer recess and the fall election.

On April 21, Costello announced that certain provisions of his bill were being incorporated into the Flood Insurance Reform and Priorities Act of 2010 - and that he was co-sponsoring that legislation with U.S. Rep. Maxine Waters, a California Democrat.

This was a major development, according to Costello's chief of staff David Gillies, because the chance of passage was greatly enhanced. The Waters bill is the vehicle that would reauthorize the National Flood Insurance Program for five years. Currently the program is operating under a temporary authorization that

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Lack of productivity puts St. Louis region in the backseat for economic development

By ALAN J. ORTBALS

St. Louis' economic development efforts are being hamstrung by its abnormally high cost of construction, according to Terry Nelson, executive secretary-treasurer of the Carpenters District Council of Greater St. Louis and Vicinity. This has made the St. Louis region "fly-over" country for site selectors, he says.

Nelson says it costs 28 percent more to construct a building in St. Louis than it does to erect the exact same building in Chicago. The reason? Lack of productivity of the St. Louis building trades workforce.

"The guy in Chicago, believe it or not, he worked 7 ½ hours today while the guy in St. Louis only worked 4 ½," Nelson said. "Where did that other 3 ½ hours go? When my carpenters walk on the job, their cost to the contractor is $1.03 a minute. That's their wages, their benefits, the workmen's compensation and yada, yada, yada and all the stuff that goes with that. You just think for a minute, if you've got 10 guys on the job, that's $10 a minute. They all leave 10 minutes early, there went $100 out the door."

At least one other union labor leader agrees with Nelson.

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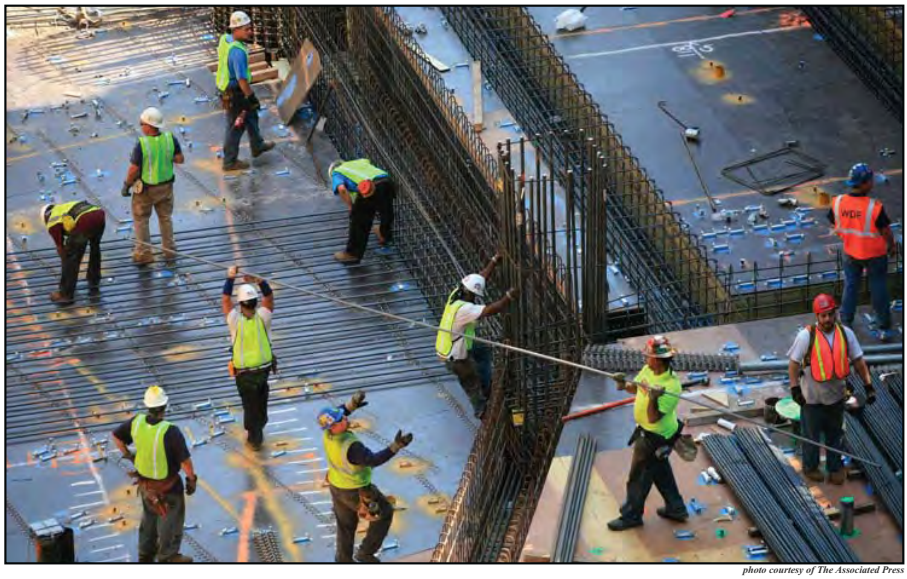

photo courtesy of The Associated Press

According to the head of St. Louis' Carpenters Council, it costs 28 percent more to construct a building in St. Louis than to erect an identical structure in Chicago. Comparatively less productivity, he says, is a big part of the reason.

photo courtesy of The Associated Press

Illinois companies with 50 or fewer employees that hire new full-timers earning at least $25,000 annually for at least a year beginning July 1will be eligible for a $2,500-per-employee tax credit, thanks to a new state law.

State's new tax credit program rewards small firms who hire full-timers in coming year

By ALAN J. ORTBALS

Illinois small businesses that hire people will receive a $2,500 state tax credit under a new law signed by Gov. Pat Quinn last month.

The Illinois Small Business Job Creation Tax Credit will be available to businesses with 50 or fewer employees that hire new, full-time Illinois employees during a 12-month period beginning July 1. Ninety-five percent of Illinois businesses have fewer than 50 employees, according to a press release issued by the governor's office.

"Small businesses are essential to the Illinois economy and it's crucial that state government find fresh and creative ways of working with entrepreneurs who will lead the charge toward economic recovery," Quinn said. "This tax credit will help our small business owners and operators to grow by creating 20,000 jobs over the next year."

The legislation passed the General Assembly unanimously and was sponsored by Sen. Michael Noland (D-Elgin) and House Speaker Michael Madigan (D-Chicago).

To qualify for the credit, a new job must be sustained for at least one year and pay at least $25,000 annually. Eligible companies can apply for the credit online and will be issued a tax credit certificate beginning July 1, 2011. Applications for the credit may be submitted as soon as a new, full-time Illinois employee is hired and begins providing services. The total

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Spotlight on Industry Leaders: Engineers

Quality Testing and Engineering Inc., Michael Widman, President

By KERRY L. BEISER

In April, Quality Testing and Engineering Inc. in O'Fallon celebrated its 10th anniversary of providing geotechnical services, environmental services, archeological assessments and construction materials testing in the region.

According to president Michael Widman, QTE started with just three employees in 2000 and has grown over the years to include 30 employees, a regional office in Wentzville, Mo. and a fully-staffed environmental consulting division.

QTE is a multi-service engineering firm specializing in consulting on pre-development and construction projects by providing services including geotechnical exploration, environmental services, construction materials testing, soil evaluations, archaeological studies, wetland services, septic site suitability and residential radon testing.

Two things set QTE apart in the fiercely competitive engineering industry, Widman says. One is focusing on clients' personal accessibility to engineers and decision makers; the other is QTE's experienced field staff who are veterans in their fields.

Topping the list of highlights for QTE's decade of projects is over nine million square feet of warehouse projects in the Gateway Commerce Center corridor; work at Prairie State Energy Campus; and Ameren's Duck Creek Power Plant. An emphasis on strong in-house marketing has kept QTE's workload busy in recent months, even with the current economic downturn.

Industrial and government jobs including services for the $4 billion ConocoPhillips refinery expansion project in Wood River, the $111 million BRAC-ADAL USTRANSCOM facility at SAFB and the new Joint Armed Forces Reserve Center at Jefferson Barracks. All are very positive recent experiences for the firm, says Widman.

Another priority that sets QTE apart, Widman says, is its continuing education of QTE employees. Chad Martens in the environmental division received Illinois state radon certification. Eric Marlinghaus was one of two in the St. Louis metropolitan area out of 110 engineers in the inaugural program. Supporting the pursuit of such certifications helps QTE continue to grow in its engineering specialties and ensures employee retention.

Geotechnology Inc., Dale Smith, Senior Project Manager

By KERRY L. BEISER

Geotechnology Inc., headquartered in St. Louis with an office in Collinsville and one in Overland Park, Kan., has been in the business of engineering strong communities for 25 years, offering consulting services in applied earth and environmental sciences, geotechnical engineering, construction materials testing and observation, geophysics, drilling, special inspections and non-destructive testing.

Senior project manager Dale Smith says Geotechnology established its first office in Southwestern Illinois - in Collinsville - in 1997. In early 2007, the firm relocated to another location in Collinsville, growing its Illinois presence to a 2,500-square-foot facility in Collinsville that has a comprehensive testing laboratory, created with the intent to be more responsive to Geotechnology's Illinois clients. Smith leads the Collinsville staff as its branch manager; he joined Geotechnology in 1995. Smith has managed geotechnical and material testing projects in Illinois, Missouri, Kansas and Kentucky for the firm and served his professional community most recently as president of the St. Louis Section of the American Society of Civil Engineers.

Among Geotechnology's list of clients are the Tri-City Regional Port District, Scott Air Force Base, Southern Illinois University Edwardsville, Ameren and the Prairie States Energy Campus. The company has 120 employees in three offices.

Highlighted projects and contracts in 2009-2010 include: geotechnical engineering for the IDOT Tri Level project; materials testing services for Abengoa's new ethanol plant; brownfield grant administration for the East St. Louis Housing Authority/IEPA; and subsurface utility engineering at several locations for IDOT.

According to Smith, Geotechnology's future will include the growth of the company's special testing and materials testing capacity, along with increased growth in the industrial and transportation sector and sustained growth in the commercial market.

Volkert Inc., Vic Modeer, Vice President

By KERRY L. BEISER

One of the many strengths Volkert Inc's Illinois office has going for it is that three of its senior staff worked for years as engineers for the Illinois Dept. of Transportation District 8, right here in Southwestern Illinois.

Vic Modeer, vice president, says Volkert has 11 licensed physical engineers working from its Collinsville office for a large civil engineering firm that spans 16 offices in 12 U.S. states. Civil engineering, land acquisition, environmental science and construction oversight are key services that Volkert engineers and scientists provide.

The local office is actively involved in environmental work and right-of-way acquisition at all three regional airports in the area - St. Louis Regional in East Alton, St. Louis Downtown Airport in Cahokia and MidAmerica Airport in Mascoutah. Volkert has full in-house real estate and right-of-way services.

Some 40 percent of the work being performed from the Collinsville office at present is tied to right-of-way work including acquisitions for utility high-tension power lines throughout much of the state of Illinois, according to Modeer. GIS-based activity work is a big part of this effort, too, he says.

Volkert's competitive advantage, Modeer says, is that it is one of few engineering firms in the region that has an entire suite of environmental field investigations including wetlands and cultural resources in-house and is able to perform all the necessary surveys and analyses itself for clients. This enables Volkert to save clients not only time but often money as well, he adds.

Intermodal facility engineering is another scope of work for which Volkert's expertise is respected. Modeer says its hydraulic and environmental experience is often called into play on projects inland and along coasts.

Highway design and geotechnical work also play a big role in Volkert's day-to-day operations. The firm has actively performed levee inspection and design in New Orleans, Kentucky and most recently - in proposal form - for Southwestern Illinois.

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"There are a couple of trades in our area that are not as productive as they could be, and that does hurt," said a district council president who wished to remain anonymous. "We're all in this together and we all stick by each other, but when you've got a couple that are just not doing what they're supposed to and you go to work in the morning, it's making it tough on all of us."

On the other hand, this labor leader said that the contractor needs to take control of the situation and demand productivity from the workers on the job - something that some of them are very reluctant to do.

"It's incumbent upon the contractor to fire these people," the president said. "And guess what? When they get fired for non-productivity, he's not going to have a problem down at the union hall, I'll tell you that right now. Now the union business manager may have to come out and represent the guy and make sure he wasn't ill-treated. But, I'll tell you right now, damn near every business agent I know will just say, 'I'd have fired your ass, too, especially over not showing up or leaving early, or especially not producing.' It's a partnership. Today we are more and more a partnership in this thing, and we present it that way to the contractor. And we've got to get the contractor to do his share, too. It's not just us; it's a two-way street," he added.

Nelson says one of the problems is that some unions refuse to do anything that is not specifically their work so that some workers end up sitting around and watching while others need help. This type of inflexibility costs time and money, he adds.

Nelson is proposing that the workers start the day at the work station prepared to go to work immediately - not simply at the job site, which has been past practice. Under his proposal, the workers would stay at the work station until 10 minutes to lunch time; take 10 minutes to wash; 30 minutes for lunch; and go back to work until 20 minutes before quitting time, taking 20 minutes to pick up their tools and clean up.

"That's the way they do it in open shop," Nelson said, "and that's our competition. Keep it in mind that union workers have only 11 percent of the construction work in this country today and the open shop workers have 89 percent of the work. Now who's doing it right and who's doing it wrong? My God, we have slipped, slipped, slipped, slipped, slipped. The thing that kills unions is our arrogance and our attitude. Like we are God's gift to everybody. Like without us the world comes to and end. Whoever believes that BS is nuts. But we buy into that stuff. I haven't bought into it. I'm on the other side of the street. But again, I'm not the most loved guy in a labor meeting; that's just the way it is. I keep going back to Business 101," Nelson added, "to what makes sense and what doesn't make sense."

REWARDS

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amount of credits to be issued is capped at $50 million.

Calculation of the net increase in the number of Illinois employees is based on the employer's number of Illinois employees as of June 30, 2010. The determination of whether an employer has 50 or fewer employees will include all employees in every location, which includes both in Illinois and out-of-state employment totals. Related businesses will be treated as one business for the determination.

Noland says he expects this tax credit to be very effective at inducing small businesses to hire.

"If we're going to provide a quality standard of living in the state of Illinois," said Noland, "we're going to have to be able to maintain our educational systems, our health care systems, our transportation systems. We certainly have to do it in a fiscally responsible manner. But, that said, what we need to look to do is to initiate and put in place a tax code that's going to stop beating up on manufacturing and on the business sector per se and start providing incentives to expand and to grow the economy. We have to look perhaps more to the service sector to shoulder the burden of our obligations that we have here in the state and we also have to look toward individuals who are perhaps benefiting most to help shoulder the burden. If we do that and then we provide tax credits for those who are on the threshold of creating new jobs, I think that's a very rational approach to helping us work our way out of this very difficult time that we're in."

But Ken Diel, owner of Diel & Forguson Financial Group, was less than enthusiastic about the effectiveness of the tax credit.

"The government has a tendency to throw money at things and say that it will fix all problems," Diel said. "Will I hire a new employee and pay him $28,600 a year for a $2,500 credit? The answer is no. If I have work, is it an incentive? Yes. But will it put people back to work? It's only going to put people back to work if I feel I have more work so that I need to hire people. To say this is going to be 'magic dust' that will fix the unemployment issue, it isn't going to happen," Diel added. "Nobody is going to hire people and pay them $30,000 a year to get a $2,500 credit. I'm sorry."

Diel says now is a very good time to hire people if your business is doing well. He adds there are some very qualified people on the market looking for work.

"Three years ago I put an ad out for an accounting person and I got three resumes back," Diel said. "They were people who were just thinking about being an accountant. They didn't have any experience; they just thought it would be a nice thing to do. We ran an ad three months ago," Diel added, "and we must have gotten 90 resumes, of which 30 were super-qualified people."

Generally speaking, said Diel, unless businesses start seeing a strong demand for their good or service that stretches out into the future, they are going to be very reluctant to hire new people because most employers are so reluctant to lay people off when demand takes a dive. According to Diel, letting employees go is one of the hardest things business owners and managers have to do.

"Until we get the economy back and business back, we're not going to go out and hire a bunch of people," Diel said. "We're going to make people here work more, longer, harder and be putting in some overtime before we aggressively start saying, 'Let's look at the market and go out and hire somebody.'"