Hit the Ground Running

I am not one who uses clichés much but “Hit the Ground Running” pretty much sums up the first six months of my Presidency at IMSCA. In fact, some of the fun came prior to me taking over as President! As you probably have already witnessed, there’s been quite the activity in Illinois since January 1st of this year.

The IMSCA organization elected to move forward with its Retainage Reform initiative, SB 1636, despite former Governor Rauner’s veto in 2018. Lobby Day and the IMSCA-PAC Raffle has been rolled out again. Also, with a new Governor, his new administration, his own agenda, and with over 50 new legislators between the House and Senate Chambers – “Running” may have to be substituted with “Sprinting”.

Lobby Day, held in March, was successful with a record-high attendance of over 60 and a guest appearance from Senator John Mulroe. There was no better time for our group of contractors and associations to educate new and incumbent state representatives about our legislative issues. Between the face-to-face meetings at the State Capitol and candid conversations at the reception – I’m confident we left a positive and lasting impression in Springfield.

IMSCA will be rolling out our new marketing video by the end of summer. The Board of Directors have been brainstorming ideas and gathering resources to develop a way to tell the IMSCA story. During Lobby Day, camera crews interviewed contractor members and followed groups to their legislative meetings throughout the Capitol Building. The finishing product will be out soon and when it does – we’ll ask all our members to share the new video on their platforms to tell others who we are.

We’re also growing as an association. Since the beginning of the year, four new members have joined IMSCA. We give a warm welcome to the Underground Contractors Association of Illinois, the Mason Contractors of Greater Chicago, the Associated Steel Erectors of Chicago and the Finishing Contractors Association of the Quad Cities.

Lastly, I am thrilled to report the success of SB 1636 moving through both Senate and House Chambers prior to summer recess. Unlike previous attempts, SB 1636 was met with little opposition. With the support of Senator John Mulroe, Representative Luis Arroyo, our IMSCA members and the tenacity of Executive Director Jessica Newbold – the bill now sits on Governor Pritzker’s desk waiting for his approval. Decades of hard-fought Retainage Reform for our subcontractors could soon become law with just one signature! Make sure you reach out to the Governor and encourage him to Sign SB 1636 into Law Today!

Despite all the madness that has happened so far, I am excited to serve as your IMSCA President for the next two years. There was a fair amount of work accomplished in these last six months but, we’re not stopping there. As the ‘to-do’ list grows, so will the challenges that come with it – and IMSCA be ready to take them on.

Before I sign off, there are a handful of “Thank You’s” that I’d like to pass along. First, many thanks to Immediate Past President Dave Nelsen for his leadership the past two years, and for getting us to this point. I want to thank the Finishing Contractors Association of Illinois and the Underground Contractor Association of Illinois for sponsoring Lobby Day – there’s no doubt your generosity contributed to the success of that event. Our entire Membership, the Board of Directors, Legislative Committee, Legal Counsel Jim Rohlfing and Jessica Newbold deserve a huge Thank You for their effort in getting Retainage Reform to where it’s at today. Your phone calls, letters, emails and in-person meetings are greatly appreciated and did not go unnoticed!

I look forward to continue the excitement and success of this organization, and working to improve the construction industry.
Legislative Representation for over 2,000 Construction Employers

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Illinois Authorizes Adult Use Cannabis
What Does This Mean for Employers?

The Illinois legislature passed a landmark bill authorizing recreational marijuana. Shortly thereafter, Governor J.B. Pritzker tweeted that he looks forward to signing the bill into law. The bill, formally known as the Cannabis Regulation and Tax Act (the “Act”), will make it legal under state law for adults 21 and older to purchase and possess limited amounts of cannabis, beginning January 1, 2020. This is the first comprehensive bill, with commercial sales and taxation, to originate in a legislature to pass recreational marijuana, and it provides a model for other states to follow.

Under the new law, Illinois residents age 21 and over will be entitled to possess up to 30 grams of flower, 5 grams of cannabis concentrate, or 500 milligrams of THC in a cannabis-infused product. Adult visitors may possess up to 15 grams of marijuana. Usage is prohibited on the street, in parks, on school grounds (except for medical usage), in motor vehicles, in correctional facilities, near someone under 21, while driving a boat or flying a plane, by a school bus driver, police, fire, or corrections officer while on duty. It is legal to smoke in one’s own home and on-site in some cannabis-related businesses. People convicted for possession of under 30 grams of marijuana prior to legalization will have records referred for a pardon, as long as those convictions are not associated with a violent crime. If a pardon is granted, an expungement will be sought by the AG. Individuals with convictions for possession between 30 - 500 grams would have the option of petitioning for expungement themselves.

As with cannabis legislation passed in other states, this bill contains specific language that Illinois employers should review in order to understand their obligations under the new law. The Illinois bill is another example of how expanding cannabis laws continues to create more ambiguities for employers.

“The Illinois bill is another example of how expanding cannabis laws continues to create more ambiguities for employers.”

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illegal. Therefore, employers are faced with employees “legally” consuming marijuana under state law, while simultaneously violating company drug use policies, federal “Drug Free Workplace” protections, and zero-tolerance policies. Key for employers in navigating these issues is the statutory language in the state authorizing statute. Depending on the state, the language with respect to employer obligations and employee protections can differ widely. Some states explicitly write out the obligation of employers to accommodate employees and other states take the opposite approach. By way of example, Arizona, Delaware and Minnesota have explicit language in their statutes requiring employers to accommodate legal off-work marijuana consumption, unless the employer can show that the usage is negatively impacting performance or job responsibilities. Thankfully, the Illinois statute has provided some clarity for employers and employees.

The Act allows employers to continue enforcing zero tolerance or drug free workplace policies, as well as policies concerning drug testing. However, the new law also amends the Illinois Right to Privacy Act, which prohibits employers from taking an adverse employment action against an employee who uses “lawful products” off premises during nonworking hours. As a result, starting next year, employers can no longer refuse to hire a candidate, or discipline an employee, due solely to a positive test for cannabis, whether such positive test was caused by the medicinal or recreational use of marijuana.

Under the Act, employers who believe that an employee is under the influence of cannabis will have the burden of identifying articulable symptoms of impairment in order to establish a “reasonable suspicion,” and those symptoms must adversely affect the employee’s performance. The Act lists several specific symptoms of impairment, such as speech, physical dexterity, agility, coordination, demeanor, irrational or unusual behavior, or negligence or carelessness in operating equipment or machinery, disruption of a production or manufacturing process, or carelessness that results in an injury.

Moreover, if an employer chooses to discipline an employee suspected of being under the influence of cannabis, it must afford the employee a reasonable opportunity to contest the basis of that determination. Despite this new procedural requirement, the Act states that it does not create a cause of action against an employer who disciplines or discharges an employee based on a “good faith” belief that the employee was impaired at work. Thus, it remains unclear whether an employee has any means to enforce the “reasonable opportunity” provision.

The anti-discrimination provision of the new law will have a significant effect on employers who issue routine or random drug tests. Since drug tests can only tell whether someone has used cannabis in the past (time frames vary between 1 day and 90 days depending on the type of test), and not necessarily whether they are currently under the influence, any disciplinary action issued based solely on a positive drug test could run afoul of the anti-discrimination clause, if the legal drug use occurred off premises, during non-working hours.

As Illinois prepares to become the 11th state to authorize adult use marijuana, employers should be aware of these new rules and adjust their practices accordingly. Before any discipline is issued under a drug free workplace policy, employers should ensure that they identify the specific symptoms of impairment and describe the opportunity given to the employee to rebut the determination. Likewise, current policies should be updated to reflect these new requirements.

Employers in certain industries that are heavily regulated, such as transportation, will still be required to comply with any government-mandated drug testing. Those in the construction industry will need to remain vigilant to comply with the new statute while still ensuring worksite safety. Additionally, companies that are subject to collective bargaining agreements should review their CBAs to see how this new statute affects the lawfulness of any drug testing and disciplinary policies therein. To the extent that any provisions conflict with the Act, management should consider meeting with union representatives to renegotiate those terms.
Illinois Considers Making Prime Contractors Liable for Paying Subcontractors’ Workers

A bill pending in the Illinois legislature (HB2838) threatens to hold a contractor who has a direct contract with an owner (“Direct Contractor”) liable for the unpaid wage and fringe benefit obligations of its subcontractors on private projects. Direct Contractors already have liability for employee wages owed by their subcontractors on public projects covered by the Davis-Bacon Act, and the same responsibility is owed under the prevailing wage acts of many states. Direct Contractors may also have liability for subcontractors’ wages on private projects pursuant to some states mechanics lien acts, as well as obligations contained in union collective bargaining agreements to which a Direct Contractor may be signatory.

The effort to expand the obligation of Direct Contractors to guarantee payment of subcontractor employees on private projects received a kick start last year when California and Maryland enacted laws making Direct Contractors responsible for the unpaid wages and fringe benefits of all workers in the construction chain. A review of the California and Maryland laws, as well as the bill pending in Illinois, suggests states should be cautious in enacting such laws while they weigh the benefits against the difficulties that might result.

In California, a Direct Contractor contracting for the construction of a private building project as of January 1, 2018 is liable for any debt owed to a wage claimant, or a third party on the wage claimant’s behalf, incurred by a subcontractor at any tier in furtherance of the Direct Contractor’s contract with the owner. The Direct Contractor’s liability includes unpaid wages, and fringe benefits, such as health and welfare contributions, plus interest.

“Illinois might be well served to first study the effect of recent enactments in other states before launching a similar law.”

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and attorneys’ fees, but not penalties. Interestingly, under the California law, employees may not bring an action to enforce the law. Instead, a complaint may be brought by: 1) the California Labor Commissioner; 2) a labor-management cooperation committee; or 3) a labor union to collect unpaid fringe contributions. The property of a Direct Contractor may be attached to satisfy a judgment entered against it. Direct Contractors have the right to request payroll records from their subcontractors and to withhold payment if the request is not fulfilled.

A Maryland law which became effective October 1, 2018 also provides that Direct Contractors are liable for the wage obligations of subcontractors at any tier. The Maryland law permits an action to be brought at any time within three years after wages are due, while the limitations period in California is one year. In addition to liability for interest and attorneys’ fees, as provided by the California law, a Maryland Direct Contractor must pay a penalty of three times the unpaid wage. Though Maryland’s law requires a subcontractor to indemnify a Direct Contractor for liability under the law, that is little conciliation for the Maryland Direct Contractor. The subcontractor has already failed to pay its own workers, and in any event, a right to indemnification likely is available under common law. Finally, Maryland’s law does not expressly require a subcontractor to furnish payroll records to a Direct Contractor, though that right could be established by contract.

The bill pending in the Illinois legislature closely resembles the California law. It would impose liability on Direct Contractors for wage claimants of subcontractors at any level on private projects, and a claim could not be brought directly by a wage claimant. Also, as in California, Illinois would charge a Direct Contractor interest and attorneys’ fees but not penalties, and an action would have to be brought within one year from when payment was due.

Illinois might be well served to first study the effect of recent enactments in other states before launching a similar law. Specifically, the Illinois proposal leaves the following questions unanswered:

- Would Direct Contractors require all subcontractors to furnish payment bonds to guarantee wages are paid?
- Would smaller and newer subcontractors who cannot provide bonds be unable to compete on most private commercial projects?
- How much additional administrative work would be required to track whether subcontractors were paying all employees?
- Would the payment process be slowed for all subcontractors, while proof of payment by lower tiers is gathered, putting further pressure on cash flow?
- What role would politics play in whether a labor management cooperation committee would bring suit against one of its large contractor members?
- Does the word “subcontractors” include material suppliers, as it does under the Illinois Mechanics Lien Act, or does it only include subcontractors covered by the prevailing wage act?
- Are jobs paid for by public funds on private property or projects on public property using private funds included as “private” projects?
- If attorneys’ fees are awarded to a prevailing wage claimant, should they also be available to a successful Direct Contractor?
- Does the provision permitting the attachment of a Direct Contractor’s property to collect a judgment differ from existing law and if so, in what way?
- Would the criminal penalties applicable under the Illinois Wage Payment and Collections Act be imposed on General Contractors who violated this new law?

For hundreds of years, American jurisprudence has recognized the distinction between independent contractor and agency law. Illinois and other states interested in following the examples of California and Maryland should examine the experiences in other states with such laws to help grapple with those questions.
The Illinois General Assembly adjourned Sunday June 2nd - two days after their scheduled adjournment date. The brief overtime session proved to be time well spent by legislators as negotiations on important issues for our state were able to continue. The end result was the approval of many of Governor Pritzker’s “Think Big” initiatives with bi-partisan support. Legislators on both sides of the aisle dubbed the spring 2019 legislative session a success with Republicans and Democrats joining together in support of many measures.

The Illinois General Assembly approved the following initiatives from Governor Pritzker’s ambitious “Think Big” agenda:

- The House and Senate provided the necessary three-fifths vote to place a constitutional amendment on the November 2020 ballot changing Illinois from a flat income tax to a “graduated income tax” structure.
- Approved the legalization of recreational marijuana that will allow Illinois residents 21 and older to legally buy marijuana from licensed dispensaries.
- After many attempts, both chambers approved legislation expanding gaming in Illinois. The legislation provides 6 additional casinos across the state, including one in Chicago. The bill also legalizes sports betting.
- Lawmakers approved a $40 billion operating budget that legislators on both sides of the aisle say is “balanced”.
- Earlier in the spring session lawmakers approved increasing the minimum wage to reach $15 per hour by 2025.
- Most importantly to the Illinois construction industry, legislators approved Governor Pritzker’s “Rebuild Illinois” plan that provides $45 billion dollars over the next six years to address Illinois’ infrastructure needs.

Governor Pritzker has been a champion of finding ways to fix the state’s crumbling infrastructure and stated early on that everything would be considered as a possible funding source. This issue became one of the hottest topics discussed this spring. Various groups, including IMSCA, advocated for...
a comprehensive capital plan that addresses the needs for roads and bridges, as well as vertical infrastructure like state owned facilities, universities and schools. After years of neglecting our infrastructure needs, the Illinois General Assembly passed a bipartisan comprehensive infrastructure plan for the first time in a decade. The “Rebuild Illinois” capital plan will be paid for by various tax increases. The approved funding mechanisms include:

**For transportation related projects:**
- Raises the gas tax by 19 cents per gallon and diesel tax by 24 cents a gallon.
- Increases vehicle registrations by $50 and truck registrations by $100.
- Owners of electric vehicles will pay an additional $100 in registration fees.
- Beginning July 1, 2021, the state sales tax on motor fuel will be transferred to transportation at a rate of 1% each year for five years.

**For building construction projects:**
- Increases the tax on cigarettes by $1.00 a pack and e-cigarettes will be taxed at a rate of 15%.
- Imposes a 6% daily and 9% monthly tax on garage and lot parking.
- Captures revenues generated by gambling expansion and sports betting.
- Expands the sales tax collected on online purchases to purchases made through remote, or out of state retailers.

The spending plan for how the new infrastructure money will be spent over the next six years includes:
- $33.2 billion for transportation projects
- $3.5 billion for education projects
- $4.3 billion for state owned facilities
- $1.9 billion for economic development/community development
- $1.2 billion for environmental and conservation projects
- $465 million for Healthcare and Human Services
- $420 million for broadband expansion

The final budget agreement approved by the Illinois General Assembly includes a group of business friendly reforms that were pushed by House Republicans. In exchange for putting Republican votes on the proposed tax increases to fund the capital bill, House Republican Leader Durkin fought for the inclusion of the following reforms:
- Providing tax incentives to enhance Illinois’ ability to attract data centers to locate in Illinois. This has been an ongoing initiative of the Illinois Chamber, and an issue IMSCA has long supported.
- Eliminate reporting of the Retailer’s Discount in the Comptroller’s Tax Expenditure report to accurately reflect the law.
- Eliminate Illinois Franchise Tax.
- Reinstate the Manufacturers Purchase Credit.
- Enact the Blue Collar Jobs Act to help attract large scale construction projects.
- Table consideration of SB 1407. This is an initiative of the AFL-CIO and would require union membership to work construction at refineries and chemical plants.

Ongoing negotiations between the four legislatives leaders and Governor Pritzker led to the approval of these issues. Although Illinoisans will be paying more in taxes and fees, the results of the spring 2019 legislative session are in stark contrast to the previous years of government dysfunction and a years’ long budget impasse. Once push came to shove, super-majority Democrats showed a willingness to compromise on some issues with Republicans – paving the way for these initiatives to be passed in a bi-partisan fashion.

In addition to monitoring progress on these larger issues and approval of a capital plan, IMSCA participated in negotiations on many bills this legislative session. Those of most importance to the Illinois construction industry include:

**IMSCA’s legislative initiative, SB 1636 (Mulroe/Arroyo) passed both chambers and will soon be sent to Governor Pritzker for his approval.** As a reminder, SB 1636 amends the Contractor Prompt Payment Act and allows retainage to be withheld at a rate of 10% for the first half of a construction project, but has to be reduced to 5% once the project is 50% complete. This bill will only apply to private, commercial construction projects. Our success this year is due to our hardworking and passionate bill sponsors – Senator John Mulroe and Leader Luis Arroyo and to the many IMSCA members who contracted their elected officials. IMSCA’s focus now turns to reaching out to Governor Pritzker for approval on this important initiative so that it can become law. IMSCA staff will keep you updated on ways you can help bring SB 1636 across the finish line.

**SB 534 (JONES III/WELCH)**

SB 534 seeks to increase minority participation on construction projects by making the following changes:
- Creates an advisory board within the Department of Labor to work to increase minority participation in apprenticeship programs.
- Sets an aspirational goal of 20% of total dollar amount of state...
contracts to be awarded to businesses owned by minorities, women and persons with disabilities. SB 534 breaks the 20% goal up by providing: 11% to be awarded to minority owned businesses, 7% to be awarded to women owned businesses and 2% to be awarded to businesses owned by people with disabilities.
• Requires the Department of Central Management Systems to conduct a study that measures the impact of discrimination on minority and women businesses development in Illinois.
• Increases the penalty for willful deception in obtaining certification as a minority or female owned business to a Class 1 felony.

This legislation passed both chambers and has been sent to the Governor for approval.

**SB 104 (VILLALAM/LILLY)**

SB 104 is an initiative of the Federation of Women Contractors and the Hispanic American Construction Industry Association. This bill amends the State Prompt Payment Act. This bill underwent a series of negotiations and in its final amended version, requires a prime contractor (after receiving payment) to pay each subcontractor and material supplier within 10 business days or 15 calendar days, whichever occurs first. SB 104 as amended also requires the Department of Transportation to publish on its website a searchable database that allows for queries for each active construction contract by the name of a subcontractor or the pay item associated with either the prime or subcontractor. SB 104 passed both chambers and will soon be sent to Governor Pritzker for his approval.

**SB 2120 (SIMS/MOYLAN)**

SB 2120 as amended provides a one year extension to the current law allowing the Capital Development Board to use the single prime delivery method. As a reminder, the Capital Development Board sought to extend and expand their authority with the introduction of SB 1848. Due to opposition, SB 1848 did not advance this session. As a result, the Capital Development sought a one year extension of the current law so that negotiations on this issue could continue. SB 2120 passed both chambers.

**HB 2643 (MASON/BUSH)**

HB 2643 amends the Home Repair and Remodeling Act to provide that a consumer age 65 and older has 15 rather than 3 business days to cancel a contract with a contractor. At the request of the Home Builders Association of Illinois, HB 2643 was further amended to limit the 15 day right of cancellation for persons 65 or older to “purchases made from an uninvited solicitor”. HB 2643 passed both chambers.

The spring 2019 legislative session was a busy one for IMSCA. All in all, it was a successful one for our association. Thank you to everyone who participated in our Calls to Action and provided feedback on legislation to help define our position on these bills. As stated earlier, you will be called upon this summer to assist with efforts seeking Governor Pritzker’s signature on SB 1636. IMSCA staff thanks you in advance for your assistance with this very important effort.

The Illinois General Assembly will return to Springfield on October 28th for fall veto session.
Photo #1:
Senator John Mulroe (sponsor of SB 1636; retainage reform) provided Lobby Day attendees with an update on pending legislation important to the Illinois construction industry. Photo credit PCA Midwest/Plumbing Council.

Photo #2:
Members of the Electrical Contractors Assoc. of Chicago and Northeastern Illinois Chapter NECA discussed IMSCA’s legislative agenda with House Republican Leader Jim Durkin.

Photo #3:
Lobby Day attendees representing the electrical construction industry are shown pictured in front of the Illinois State Capitol prior to lobbying legislators on issues important to Illinois subcontractors. Back row: Scott Dworschak (Eastern IL NECA); Front L to R: Tim Taylor (ECA Chicago), Mark Thomas (ECA Chicago), Jim McGlynn (McWilliams Electric Co. & ECA Chicago) and Giuseppe Muzzupappa (Northeastern IL NECA & IMSCA President).

Photo #4:

Photo #5:
Representatives from the Underground Contractors Assoc. of Illinois and the Mason Contractors Association of Greater Chicago enjoyed a successful day lobbying legislators in Springfield. Front L to R: Cindy Gustafson, (J.A.C.K. Contractor Services, Inc.), Bryan Miko (Advanced Drainage Systems), Jim O’Connor (Mason Contractors Assoc. of Greater Chicago); Back L to R: Mike Wiedmaier (Underground Contractors Assoc. of IL), Steve King (Ozinga), Maxwell Vinik (Wipfli), Lauren Fosmoen (Underground Contractors Assoc. of IL).

Photo #6:

IMSCA staff would like to thank all IMSCA members for their support and assistance during the spring 2019 legislative session. We depended on you to assist with our lobbying efforts by responding to Calls to Action and explaining the real impact of introduced legislation to the Illinois construction industry. Your knowledge and assistance is helpful to our legislative success. In addition, thank you to everyone who attended IMSCA’s 2019 Lobby Day Event – and special thanks to the Finishing Contractors Association of Illinois and the Underground Contractors Association of Illinois for their generous support of IMSCA’s Lobby Day event. With over 50 contractors in attendance, 2019 Lobby Day was a huge success! We hope everyone enjoys a happy and successful summer.