



TEXAS

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BUSINESS REPORT



TAB Continues Pushing Power Of Education *Gov. Perry Appoints Hammond To College Alliance*

Due in part to advocacy by the Texas Association of Business, Governor Rick Perry signed on to the Complete College America alliance that pledges to make college completion a top priority. States from Arkansas to West Virginia have partnered with their higher education and business communities to prepare students for the challenges ahead.

Governor Perry appointed TAB President Bill Hammond to be a part of the Texas task force. TAB has led the charge to improve public and higher education standards throughout the state.

“Governor Perry deserves credit for understanding and taking this step to address the need for our state to have the best and the brightest graduates ready to fill the jobs coming to Texas,” said Hammond. “Only 30 percent of Texans have an associate’s degree or higher. In order to keep up with the demand of the global economy, we need those numbers to sky-rocket in the coming years. The Complete College America alliance will be an integral accountability mechanism to seeing that we meet our goals.”

In addition to its efforts under the Complete College America alliance, TAB has been involved with the GenTx program to inform students about the financial

options available to make attending college a reality, and instituting its own education initiative, Dream Big Texas, to prepare students to enter the globally competitive workforce.

The 2009 legislative session yielded tremendous results for the students, families



WORKFORCE Q&A

I operate a small business, and overhead costs and obligations are frustrating me. I keep hearing these advertisements telling me about companies that will take over all my human resources and payroll responsibilities. Is this a good idea?

(see page 2)

LONE STAR FACTS

For the sixth year in a row, the Chief Executive magazine survey of business leaders across America listed Texas as having the best business climate in the United States.

TAB MISSION

To make the Texas business climate the best in the world.

WORKFORCE Q&A



Brett J. Strand,
Cornell Smith & Mierl, LLP

I operate a small business, and overhead costs and obligations are frustrating me. I keep hearing these advertisements telling me about companies that will take over all my human resources and payroll responsibilities. Is this a good idea?

The last several years have seen an explosion in what are now known as “professional employer organizations” or “PEOs”. They may also be referred to as “employee leasing” or “staff leasing” companies. These are companies that specialize in management of human resources, employee benefits, payroll and workers’ compensation, as well as other

strategic services such as recruiting, risk/safety management, and training and development. There are various ways in which this PEO relationship can exist, from limited counsel and resource-providing to the outright hiring and leasing back of your employees so as to take over virtually all employee responsibility.

The latter version has become quite popular, and for many companies has become a smart, cost-effective way to run their business, leaving time-consuming and specialized tasks to a professional HR organization. Working through a PEO may also allow the client company to offer a better overall package of benefits, and thus attract more skilled employees by tapping into the larger benefits pool afforded by a PEO. The PEO model is therefore often attractive to small and mid-sized businesses.

From an employment lawyer’s perspective, however, it is important to note that using a PEO does not necessarily absolve your company from potential liability for illegal discrimination. Indeed, whether you technically employ your employees or simply “lease” them from a PEO, the extent of your actual day-to-day control over them is what counts when determining your responsibility for illegal discrimination in hiring, firing, discipline, promotion, compensation, etc. More often than not, both your company and the PEO you are using will be exposed to liability in such a lawsuit.

So while using a PEO may offer many valuable advantages, depending upon your situation, do not assume that having your workers employed through a PEO will automatically prevent them from suing you. Continue to be smart and careful with your workplace practices whether you use a PEO or not.

Employment Relations questions?

**Don't forget to call TAB's Employment Relations Hotline
for your next HR Question
1.800.856.6721, ext. 164 or E-mail smcgee@txbiz.org**

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Association Pushes Education Agenda

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and employers of Texas. Via House Bill 3, the Legislature overhauled the public education accountability system, which will hopefully give a more honest account of student and campus performance. The Governor also signed into a bill that allows for the online delivery of curriculum to keep up with innovation. There is much about which the state should be happy in the steps it has taken on education.

However, there is more that must be done. An article in *The Economist* noted that while Texas enjoys the best business climate in America, future problems related to education could erode that status dramatically.

The business community pays for two-thirds of the cost of educating our children and will be the ultimate consumers of their knowledge when companies seek to fill jobs. As such, the Texas business community must step up to the plate as a critical friend of education by demanding first-class education and first-class results.

The state's Select Commission on Higher Education and Global Competitiveness declared that "the state faces a downward spiral in quality of life and economic competitiveness if it fails to educate more of its growing populations to higher levels of attainment, knowledge and skills. The rate at which education capital is currently being developed is woefully inadequate."

In order to improve how our state does its business of educating, TAB will push for five major legislative initiatives to continue improving the state's academic climate including:

- ★ Creating a college-going culture in Texas and inspiring young

learners to forge a path toward postsecondary education;

- ★ Ensure all levels of education embrace and adopt readiness standards;
- ★ Ensure that the selection process for the Texas Grants Program be based on merit as well as need;
- ★ Reform developmental education; and
- ★ Reform postsecondary education finance mechanisms to make college attainment within reach for more young Texans.

Texas has been hailed by publication after publication for having the best business climate in America. Just recently, Texas was named the best place for business by *Chief Executive* magazine for the sixth year in a row. TAB has been the driving force behind many of the policies that have propelled Texas to success.

All that hard work can be undone in just a few short years if Texas does not take seriously the threat that is presented by an ill-educated population. Texas must establish realistic metrics and work toward achieving those goals with a full-range of free local, state and federal public and private sector resources.

The aforementioned Select Commission on Higher Education and Global Competitiveness has established a goal of 55 percent of 25-64 year olds having a college education by the year 2025. The boost from 30 percent to 55 will not be easy, but by addressing this growing challenge now, we can continue growing our economy while also meeting the expanding needs of Texas employers.

To learn more, please visit www.txbiz.org

How Do Texas Colleges Line Up?

What is the graduation rate for colleges in your area?

Public Two-Year Colleges

Western Texas College 88%
Texas State Technical College – Marshall 31%
Southwest Texas Junior College 20%
Laredo Community College 18%
Amarillo College 16%
Temple College 11%
El Paso Community College 7%
Blinn College 6%
Midland College 5%
Austin Community College 3%

Public Four-Year Colleges

Texas A&M University 78%
University of Texas (Austin) 78%
Texas Tech 59%
Texas State University 54%
University of North Texas 45%
University of Houston 42%
Tarleton State University 39%
Lamar University 32%
University of Texas (El Paso) 31%
Texas A&M-Kingsville 27%
Texas Southern University 13%

Private Four-Year Colleges

Rice 93%
Trinity 90%
Southwestern University 75%
Southern Methodist University 74%
Abilene Christian University 58%
Texas Wesleyan University 48%
LaTourneau University 44%
Paul Quinn 17%

MEMBER PROFILE

IESI – Partners for a Cleaner Environment

Did you know that recycling only one aluminum can saves enough energy to run your TV for 3 hours and that 80% of materials in landfills can be recycled? IESI is not your typical solid waste services company. They touch every house and every business in many communities in Texas. IESI is an integrated municipal solid waste services company and was founded by Mickey Flood in Justin, Texas in 1995 with 2 trucks and 2 drivers. He secured municipal contracts with McKinney and Haltom City in 1996. In 1997 the company completed 43 acquisitions and has continued to grow through its operations in the US and Canada. The US operations are headquartered in Ft. Worth, Texas. Upon completion of the pending acquisition of Florida based WSI, IESI-BFC Ltd. (NYSE BIN) will become the third largest solid waste services company in North America.

The organized collection of garbage began, thousands of years ago, as a means to reduce disease and keep waterways clean, they have been protectors of the environment and public health. In recent years the public has become more aware of sustainability issues and IESI has gone from being the trash/garbage guys to being the recycling heroes and champions of the environment.

They provide collection, hauling and disposal of residential, commercial and industrial solid waste for their customers and operate landfills, transfer stations, waste-to-energy plants and recycling centers in 11 states and Canada. They currently serve 232 municipalities in Texas with facilities in 39 Texas locations staffed by 1096 employees in the state.

IESI's motto is "Partners with our communities for a clean environment." They pride themselves on the customization of services for each community and to be a success they are involved and active in communities, members of Chambers across the state and have recently been honored as "Business of the Year" by Chambers in Frisco, McKinney, Pflugerville, and Iowa Park.

Though the Texas Region they serve contracts with 232 municipalities in the north, central, east and south Texas. The US corporate offices are in Ft. Worth and the Texas Region offices are in McKinney.

The solid waste industry has faced challenges, such as increases in state and federal oversight which has resulted in the closure of thousands of landfills, making landfill capacity and access a critical component of the integrated waste business.

IESI looks to Texas Association of Business (TAB) to keep them informed of changing legislation in Texas and Washington and to promoting businesses in Texas.

Due to the increased awareness of the environment and recycling, they have become a strategic partner for cities and the development of their environmental policies. With the development of waste-to-energy sources for power from landfill gas, they are becoming development partners and energy partners as well as the provider for recycling pickup.

In dealing with the challenges and changes in the world today, IESI looks to Texas Association of Business (TAB) to keep them informed of changing environmental legislation in Texas and Washington and to promoting businesses in Texas.

IESI also appreciates being given the opportunity to participate in the work of the TAB Environmental, State Affairs and Federal Affairs Committees, which is a long term investment in success for their operations in Texas and in their expanding areas.



Samantha Nunez, McKinney North High School
Earth Day Poster Contest

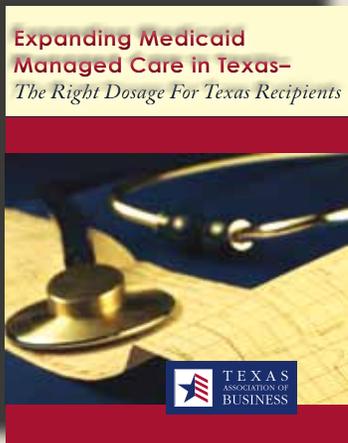
TAB Releases Report On Expanding Medicaid Managed Care In Texas

The Texas Association of Business (TAB) recently released a report entitled *Expanding Medicaid Managed Care in Texas: The Right Dosage for Texas Recipients*, a comprehensive primer on the benefits of expanding Medicaid managed care (MMC) in the State of Texas, specifically in the Rio Grande Valley.

“This report supports the case as to why Medicaid managed care has kept costs low, and why it should be expanded,” said TAB President Bill Hammond. The issue, which is discussed in-depth in this month’s *Talk About Business*, is an integral piece of the Association’s legislative priorities.

“Increasing access to health care and saving taxpayers’ money must be a top issue for the Legislature,” Hammond continued. “We can save over \$160 million in the coming years if we end the over-utilization of medicine in fee-for-service based areas.”

To learn more about TAB’s efforts and to read the report, please visit www.txbiz.org.



Health care law’s massive, hidden tax change

by Neil deMause

An all-but-overlooked provision of the health reform law is threatening to swamp U.S. businesses with a flood of new tax paperwork.

Section 9006 of the health care bill -- just a few lines buried in the 2,409-page document -- mandates that beginning in 2012 all companies will have to issue 1099 tax forms not just to contract workers but to any individual or corporation from which they buy more than \$600 in goods or services in a tax year.



The stealth change radically alters the nature of 1099s and means businesses will have to issue millions of new tax documents each year.

[...] Under the new rules, if a freelance designer buys a new iMac from the Apple Store, they’ll have to send Apple a 1099. A laundromat that buys soap each week from a local distributor will have to send the supplier a 1099 at the end of the year tallying up their purchases.

The bill makes two key changes to how 1099s are used. First, it expands their scope by using them to track payments not only for services but also for tangible goods. Plus, it requires that 1099s be issued not just to individuals, but also to corporations.

Taken together, the two seemingly small changes will require millions of additional forms to be sent out.

Why did these tax code revisions get included in a health-care reform bill? Welcome to Washington. The idea seems to be that using 1099 forms to capture unreported income will generate more government revenue and help offset the cost of the health bill.

If you buy a computer for your business from a major chain retailer, the seller almost certainly documents the revenue. But if you buy it from Tim’s Computer Shack down the street, Tim might not report and pay taxes on his income from the sale.

The IRS estimates that the federal government loses more than \$300 billion each year in tax revenue on income that goes unreported. Using 1099s to document millions of transactions that now go untracked is one way to begin to close the gap.

The notion of mailing a tax form to Costco or Staples each year to document purchases may seem absurd to small business owners, but that’s not the worst of it, tax experts say.

In any case, the final impact of the law won’t be known until the IRS issues its regulations on the new law, which aren’t expected to arrive until sometime next year.

The IRS has not yet commented on when it will release regulations or schedule public hearings, and an agency spokesman was unsure when it will do so. The new requirements kick in January 1, 2012.

For full coverage, please visit www.cnnmoney.com.



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Talk **About** Business

Saving Lives, Saving Dollars



Bill Hammond, TAB President

Despite financial troubles across the globe, Texas weathered the economic storm better than any place in America; in large measure due to state leaders passing sound public policy. For all that success, there's no way to get around the fact that the State of Texas will be facing a multi-billion dollar budget shortfall in the next biennium. In the midst of the back-and-forth attempts between agencies and leaders to identify and root out waste, TAB believes ridding the State's ledgers of unnecessary burdens and costs must be priority number one.

Nowhere can we identify potential savings easier than in the health care arena. By expanding Medicaid managed care (MMC) in Texas, we can save over \$160 million in business and taxpayer dollars over the next three years. What's even better than the savings? Increasing the access and quality of health care services available to thousands of Texas citizens.

The Texas Legislature needs to continue to take steps to ensure that Medicaid services are being delivered as effectively as possible across the State, without compromising the quality, access and affordability of these services.

Unfortunately, a major hindrance under current law hinders the quality and access of Medicaid services.

Something is amiss in the Rio Grande Valley as a result of the current prohibition of the use of the HMO model of managed care in Cameron, Hidalgo and Maverick. These three counties were exempted as a result of a floor amendment to H.B. 2292 during the 2003 regular legislative session. The exemption left 350,000 Medicaid recipients on the outside looking in.

More alarming is the explosion in the over-utilization of medicine in fee-for-service based areas. Texas recently received national attention after the *New Yorker* published an article that highlighted the disparities of costs and health care services provided in McAllen, TX versus El Paso, TX. These two cities have strikingly similar demographics, yet medical spending grew about five times faster in McAllen than in either El Paso or in the United States as a whole. What did they get for that money? More medicine, tests, more surgeries and, consequently, more time in waiting rooms.

One would figure that with all those extras, McAllen would have better

health care. However, that notion is false. McAllen scored lower than El Paso (and the US average) in measures of health care quality. Is it any coincidence that McAllen is located in a county where Texas is prohibited by law from expanding MMC, while El Paso has an MMC program?

Texas businesses pay 62 percent of the combined state and local taxes. Therefore, employers have a major stake in how efficiently and effectively the coordination, management and supply of healthcare services is being rendered in Texas, and how the demand for these services is being met.

TAB is committed to ensuring that families across Texas have top-notch access to health care and excellent quality of care, all while producing a cost savings. The sky-rocketing health care costs in the three exempted Texas counties are adding tens of millions of unnecessary dollars to our tax burden.

Texas knows Medicaid managed care works-- both for the Medicaid recipient and for Texas' budget. The employers and citizens of Texas deserve to have the best costs and the best access to health care services throughout our entire State.