



## Subcontractor Protections and HB 327

The Alliance for Construction Excellence asks that this Committee favorably report HB 327. Payment of retention will improve the likelihood that minority, women and disadvantaged businesses will thrive when bidding contracts with the State of Maryland. Also, during the current pandemic, most construction subcontractors will only survive by receiving cash flow protection from the State of Maryland. We offer the following specific concerns:

**CASH FLOW** is the number one concern affecting small businesses. Construction Subcontractors already finance construction. For example, a subcontractor who performs base contract work the first week of December typically does not see payment until the end of January or the beginning of February. And if that subcontractor is second tier then one to two weeks are added to the duration. Retention is deducted in each payment so the Subcontractor must wait, in these trying times, for final payment, which includes overhead and any profit left in the job. Maryland can improve the cash flow of small businesses with retainage protection.

- **HB 327** is vitally important to construction subcontractors. Often the subcontractors' overhead and profit are tied up in **Retainage**. Slow payment after work is properly completed and billed is a significant drain on any subcontractor's ability to continue in business and is devastating to a small, minority or disadvantaged business. This Legislative Body passed a law in 2019 that requires payment of Retainage in 90 days on all private work. It stands to reason that the State should be held to the same standard of payment as private industry.

ACE welcomes the opportunity to have an on-going dialogue with the State of Maryland to address these issues on a regular basis so that your subcontractor constituents can thrive and the state will become an owner of choice for all citizens in Maryland.

Who is ACE – the Alliance for Construction Excellence?

- American Subcontractors Association of Metro Washington (ASA)
- National Electrical Contractors Association (NECA) – Annandale Virginia
- Mechanical Contractors Association of Metropolitan Washington (MCA)
- Mechanical Contractors Association, Inc. (MCA)
- Iron Workers Employers Association of VA, MD, and D.C. (IWEA)
- Mid-Atlantic Chapter - Sheet Metal and Air Conditioning Contractors' National Association (SMACNA)

Please visit our Website <http://allianceforconstructionexcellence.com/>

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