



13340 Mid Atlantic Blvd. Office: 301.776.3035
Laurel, MD 20708 Fax: 301.776.3040

Date: 2.17.2023

Attn: Chair Wilson and Honorable Members of the House Economic Matters Committee

Re: **SUPPORT House Bill 1097** – State and Private Construction Contracts- Prompt Payment Requirements

Chair Griffiths and Members of the Senate Finance Committee,

I'm writing to you today to express strong Support of HB 1097. As the owner of Kent Island Mechanical Inc., **House Bill 1097** ensures subcontractor protection and prompt payment from Owner and General Contractors after the completion of contracted work.

Kent Island Mechanical Inc. is located in Laurel, MD and has been in business since 2006. We support the health care, life science and pharmaceutical market with our start coming at the National Institute of Health campus in Bethesda, MD. We employ around 35 office professionals and 100 Union field employees as we are signatory to Local Union 602, Local 5, and Local 486. Kent Island Mechanical Inc. has also been a member of MCAMW since opening our doors.

Maintaining positive cash flow is one of the most difficult yet most important parts of running a viable business as I am sure you understand. The current nature of being a subcontractor in MD makes that even more difficult. Every contract we are asked to execute has paid when paid terms as a standard clause, meaning we do not receive payment for any work completed until our customer has been paid then usually 14 days after they receive payment we will receive payment. In many cases this means we will not see payment for 90-120 days. This makes it extremely difficult to maintain cashflow. Payments for materials and equipment are due in Net30 terms with the occasional vendor being willing to stretch that out to Net60 so materials and equipment must be paid for 60-90 days before payment may be received from our customers. The costs of payroll and fringe benefits are seen weekly as we pay our employees every Thursday for their efforts on projects which we may not receive payment on for months after the employees have been paid. Also of note are the overhead expenses of our office and everything else that goes into keeping a business in the position to operate and run successful projects which all must usually be paid monthly again 60-90 days ahead of receiving payments on projects.

I appreciate your time reviewing our letter in support of House 1097 and hope you understand the reasons we support House Bill 1097 and ask for a favorable report.

Sincerely,

Mark Bowen
President