



February 16, 2023

Re: Senate Bill 453: Prompt Payment Requirements

Dear Chair Griffith and members of the Senate Finance Committee:

On behalf of the Mechanical Contractors Association of Metropolitan Washington (MCAMW) I write today to express strong support for Senate Bill 453, requiring a private construction contract to include a provision requiring the owner to pay the contractor within a certain period.

The MCAMW represents 200 construction contractors, some 10,000 workers, and 1,500 working apprentices. Our economic footprint throughout the region is substantial, generating some \$2 BILLION in annual revenue, and some \$500 million in state, federal and local taxes each and every year. MCAMW strongly supports Senate Bill 453 because one of the many challenges that subcontractors in the construction industry face is not being paid in a timely fashion. Too often, subcontractors are left waiting for months, and in some cases, years, until they are paid for a project they've already completed, even after having fulfilled their obligation of the contract with their customer or a prime contractor. The greatest hurdle that subcontractors in the construction industry have to face is access to cash. More frequent than not, the employing subcontractors are forced to act as banks and carry the burden of delayed payments for work completed at their own financial risk.

While the contractor waits to be paid for services rendered, their obligation to pay their vendors for material, their employees for their labor, and the cost of overhead for an office and warehouse is demanded in a timely basis. This means the contractor is left operating with a massive deficit, especially when the payment owed is worth hundreds of thousands, if not millions of dollars. Both small, medium, and large contractors face this dilemma every day, and waiting for large sums of owed money means the contractor is unable to not just pay themselves, but also fund additional projects for them to bid and work on.

While morally reprehensible, it's not unheard of for customers and low-road prime contractors to purposefully hold money owed to a subcontractor so that they can "negotiate" better terms for the services already rendered. Unfortunately, this leaves contractors left to decide if it's worth years of legal battle to be awarded the money they're rightfully owed; or, to take a lesser fee to at least cover the cost and keep their business afloat.

Senate Bill 453 is critical for the members of MCAMW and all subcontractors in the State of Maryland by making sure that they are paid what they're owed and in a timely manner. For these reasons, MCAMW supports Senate Bill 453 and asks for a favorable report.

Sincerely,

Thomas L. Bello
Executive Vice President