



## Subcontractor Protections SB 453 / HB 1097

The major risk all parties face on a construction project is non-payment by the owner of the project. In Maryland all of this risk flows down to the subcontractor and lower tier subcontractors. SB 453 / HB 1097 will allow the risk to be shared fairly among all of the construction entities. Subcontractors and their employees who live and work in your district depend on a steady cash flow to remain viable. With the passage of this bill, these important business entities will know that the money is coming in a reasonable time for the work they have completed and properly invoiced for.

Subcontractors are in the business of building construction projects and should not be required to finance construction projects; in whole or in part. Every day a subcontractor waits for payment for completed work is another day they are financing the construction project. Anytime you receive a product or service, you pay immediately. In some cases, you pay before receiving the service. Yet construction subcontractors wait at least 45 days to receive payment for work that they have paid labor, material and job costs to complete.

Small, minority or disadvantaged business that do not have the “legacy” funding of more established business are the most vulnerable to going out of business while waiting for payment from a General Contractor who is waiting for payment from an Owner.

A very similar law went into effect in Virginia on January 1<sup>st</sup> of this year. The Virginia legislature is known for their conservative approach to contracts, but they felt this was an important protection for subcontractors and passed the same legislation overwhelmingly. Additionally, this protection has been law in North Carolina since the 80's.

SB 453 / HB 1097 will not solve the issue of construction subcontractors financing construction but it will allow all the parties to the construction process to share in the risk rather than all the risk being placed on the subcontractors.

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 subcontractors are relieved from financing construction projects to benefit all citizens in Maryland.

Who is ACE – the Alliance for Construction Excellence?

- National Electrical Contractors Association (NECA) – Washington D.C. Chapter
- Mechanical Contractors Association of Metropolitan Washington (MCA)
- American Subcontractors Association of Metro Washington (ASA)
- 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)
- National Electrical Contractors Association (NECA) – Maryland Chapter

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

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