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February 26, 2025

Legislative Position: Favorable
Senate Bill 835
State Finance and Procurement - Retention Proceeds
Senate Budget & Taxation Committee

Dear Chairman Guzzone and members of the committee:

Established in 1950, the Associated Utility Contractors of Maryland, Inc. (AUC) is dedicated to advancing the utility contracting industry across the state. Our mission is to foster strong relationships between utility contractors and their clients, uphold the highest professional standards within the industry, and elevate the reputation of utility professionals within the business community. We actively advocate for public policies that address industry challenges and contribute to improving Maryland's overall business environment.

AUC is pleased to support SB 835. This legislation would require that undisputed retention proceeds retained by a unit or a contractor under a State procurement contract be paid within 90 days after the date of substantial completion.

As stated in the fiscal note, the current practice of withholding retainage can cause cash flow problems for subcontractors. By requiring payment of undisputed retention proceeds before final completion, this bill will allow subcontractors to be paid their retainage much earlier, which will help alleviate these cash flow issues.

However, we respectfully request that the committee consider an amendment to change the payment timeline from 90 days to 60 days. The majority of utility contractors are second-tier subcontractors, which gives our members only 90 days to give notice to a contractor when we haven't been paid to make a claim under the Miller Act. If we are not paid our retainage until 90 days after substantial completion, it leaves us little time to take action if there are any issues with payment. By shortening the payment timeline to 60 days, we can ensure that we have sufficient time to address any payment issues that may arise.

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We believe that this amendment will not significantly impact the fiscal note, as it is already estimated that the bill will have a minimal impact on the State's finances. We also believe that this amendment will not alter the overall intent of the bill, which is to ensure that subcontractors are paid their retainage in a timely manner.

In conclusion, AUC supports SB 835 with the proposed amendment to change the payment timeline to 60 days and encourage a **favorable report**. We believe that this bill will have a positive impact on the construction industry in Maryland and we look forward to working with the committee to ensure its passage.

Thank you for considering our testimony.

Sincerely,

The Associated Utility Contractors of Maryland (AUC)