



## HOUSE BILL 451 - STATE AND PRIVATE CONSTRUCTION CONTRACTS – PROMPT PAYMENT REQUIREMENTS

### BEFORE THE HOUSE ECONOMIC MATTERS COMMITTEE

### SUPPORT WITH AMENDMENTS

Chair Wilson and Members of the House Economic Matters Committee,

On behalf of the Mechanical Contractors Association of Metropolitan Washington (MCAMW), I am pleased to provide testimony in support of House Bill 451, with amendments. This legislation mandates the inclusion of provisions in private construction contracts to ensure the timely payment of contractors by project owners within a defined period.

MCAMW proudly represents 200 construction contractors, approximately 10,000 workers, and 1,500 apprentices. Our organization contributes significantly to the region's economy, generating nearly \$2 billion in annual revenue and approximately \$500 million in state, federal, and local taxes each year.

Timely payment is a critical issue facing subcontractors in the construction industry. Contractors frequently experience extended payment delays, sometimes waiting months or even years to receive compensation for completed work despite meeting all contractual obligations. This financial strain forces subcontractors to act as de facto lenders, bearing undue financial risk and impacting their ability to sustain operations.

While awaiting payment, contractors must continue to meet financial obligations, including paying suppliers, compensating employees, and covering operational overhead. The lack of timely payments, often amounting to substantial sums, affects businesses of all sizes and limits their ability to bid on and execute new projects.

In some instances, unscrupulous owners and prime contractors withhold payments to leverage more favorable terms for services already rendered. This practice places contractors in a difficult position, forcing them to choose between costly legal action or accepting reduced payments to maintain business viability.



Proposed Amendments:

1. **Repeal of Government Exemption:** Both the Virginia and Maryland bills currently exclude governmental entities from the definition of "Owner." While Maryland law mandates a 9% interest rate on unpaid contractor fees, the economic disruption caused by non-payment from both private and public sector owners necessitates the removal of this exemption.
2. **Timely Payment to Subcontractors:** The original legislation allows primes to receive timely payment from owners but delay payments to subcontractors. The proposed amendment requires payment to subcontractors within 15 calendar days of receipt from the owner. Failure to comply will grant the unpaid subcontractor a private right of action, including attorney fees, costs, and treble damages to deter future violations.

For these reasons, MCAMW supports House Bill 451 with the aforementioned amendments and respectfully requests a favorable report.

Sincerely,

A handwritten signature in black ink, appearing to read "T. Bello", is positioned below the "Sincerely," text.

Thomas L. Bello  
Executive Vice President  
Mechanical Contractors Association of Metropolitan Washington