

Journeyman Pipe Fitters and Apprentices



Local Union No. 602

8700 ASHWOOD DRIVE • 2ND FLOOR • CAPITOL HEIGHTS, MD 20743

TELEPHONE: (301) 333-2356 • FAX: (301) 333-1730

AFFILIATED WITH AFL-CIO

TESTIMONY

**CHRIS MADELLO, BUSINESS MANAGER AND FINANCIAL
SECRETARY/TREASURER, UA STEAMFITTERS LOCAL 602**

HB451 - STATE AND PRIVATE CONSTRUCTION CONTRACTS – PROMPT PAYMENT REQUIREMENTS

SUPPORT WITH AMENDMENT

Dear Chair Wilson and Honorable Members of the Senate Finance Committee,

On behalf of UA Steamfitters Local 602, representing 6,031 journeymen, 1,200 apprentices, and 205 signatory mechanical construction and service contractors in the heating, air conditioning, refrigeration, and process piping industry across the Washington, DC metropolitan area, I respectfully submit this testimony in support of HB451, the prompt payment bill.

House Bill 451 mirrors legislation that we spearheaded in Maryland in 2023 and 2024, modeled after legislation passed by the Virginia General Assembly in 2022. This bill is crucial in ensuring financial stability, predictability, and continuity of work in the construction industry. It mandates that all levels of the construction payment chain—from owners to prime (general) contractors and subcontractors—receive prompt payment within 60 days. The bill achieves this by prohibiting "pay-if-paid" clauses in most construction contracts.

These onerous provisions unfairly shift all payment risk from owners downstream to primes and upper-tier subcontractors, and further down to lower-tier subcontractors. Essentially, such clauses allow primes to avoid paying subcontractors unless they themselves have been paid by the owner. When owners fail to pay primes, it creates economic instability that disproportionately affects lower-tier subcontractors, who are often most vulnerable to cash flow and credit fluctuations. HB451, like Virginia's legislation, correctly places the responsibility and liability for non-payment at the highest level of non-payment in the system.

Proposed Amendments:

1. Elimination of Government Exemption:

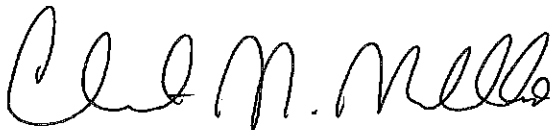
Both the Virginia and Maryland bills define "Owner" to exclude all levels of government. One justification for this exemption is Maryland's existing requirement of a 9% interest rate on unpaid contractor fees. However, the financial disruption and economic hardship caused by non-payment affect both private and public sector projects. Therefore, we support amending the bill to repeal the exemption for governmental owners to ensure fair and consistent payment practices across all sectors.

2. Timely Payment to Subcontractors:

Under the original Maryland and Virginia legislation, it is possible for a prime contractor to receive timely payment from the owner but delay payments to subcontractors, simply paying penalties when final payments are made. The proposed amendment would require prime contractors to pay subcontractors within 15 calendar days of receiving payment from the owner. Failure to do so would grant the unpaid subcontractor a private right of action, including the right to recover attorney fees, costs, and treble damages. This amendment aims to deter violations by imposing substantial financial penalties on non-compliant primes.

We respectfully request a favorable committee report on HB451 with these critical amendments.

Sincerely,

A handwritten signature in black ink, appearing to read "C. M. Madello". The signature is fluid and cursive, with the first name "Christopher" and last name "Madello" clearly distinguishable.

Christopher Madello
Business Manager and Financial Secretary/Treasurer
UA Steamfitters Local 602