

REVENUE: No revenue impact

FISCAL: Minimal fiscal impact, no statement issued

Action: Do Pass

Vote: 9 - 0 - 0

Yeas: Doherty, Johnson, Keny-Guyer, Lively, Richardson, Smith, Thatcher, Vega Pederson, Holvey

Nays: 0

Exc.: 0

Prepared By: Bob Estabrook, Administrator

Meeting Dates: 5/2, 5/21

WHAT THE MEASURE DOES: Eliminates exception from maximum retainage amount of five percent for construction contracts.

ISSUES DISCUSSED:

- Current industry retainage practices and impact along “chain of commerce”
- Prompt payment issues, especially for small subcontractors
- Potential savings for project owners
- Protection of owner’s interest and assurance that project is satisfactorily completed
- Impact of measure on subcontractors working on federal projects

EFFECT OF COMMITTEE AMENDMENT: No amendment.

BACKGROUND: “Retainage” refers to the portion of a contract payment that is withheld by a client owner until the project is complete in all respects and is confirmed to be functioning satisfactorily according to the terms of the contract. Retainage requirements are written into construction contracts and are typically applicable to both the prime contract and subcontracts. Payment of any retainage amount is generally due to the contractor or subcontractor once their portion of the project is substantially complete.

Senate Bill 405 A limits retainage on a construction project or public improvement project to five percent of the contract price, eliminating an existing provision allowing retainage amounts to be set by agreement of the parties when no bond is posted by the contractor or subcontractor.