



Legislative Representation for Over 2000 Construction Employers

VOTE YES ON SB 1636

Senator Mulroe / Representative Arroyo

Illinois is one of only three states – West Virginia, New Hampshire and Illinois – that provides no protection for contractors and subcontractors regarding the payment of retainage. The withholding of retainage creates an imbalance of power between owners/developers and contractors. SB 1636 seeks to correct this imbalance of power and create a more level playing field between all parties in a construction contract. Retainage is a common provision in construction contracts under which a percentage of a contractor's or subcontractor's earned payment, frequently 10%, is withheld until a project is completed. **Some contractors wait for more than a year after completing work until payment is finally received.** Unfortunately, this negatively impacts cash flow, especially for smaller contractors and subcontractors, thereby needlessly preventing them from performing more work or hiring new employees, until their capital is returned from work long ago approved and completed. Historically, retainage of 10% was withheld because that was the expected profit for a contractor, a percentage now closer to 3%. **SB 1636 seeks to ensure payments earned by contractors and subcontractors is paid to them in a more timely manner.**

Issue:

Abusive retainage practices hurt those who can least afford it – small contractors. Holding 10% retainage for extended periods of time from Illinois contractors and subcontractors is injurious to those companies and to the Illinois economy. Retainage is an outdated, economically unfeasible payment method that must be corrected in Illinois.

Solution:

We are asking for your support and a “yes” vote on **SB 1636**. This legislation amends the Contractor Prompt Payment Act and addresses retention on private, commercial construction projects. **SB 1636 would allow retainage to be withheld at 10%, but requires it to be reduced to 5% when a construction project is 50% complete.** SB 1636 will provide protection to contractors, and will ensure they receive their full retention payments in a timely manner, while permitting owners to retain sufficient funds to protect against any problems at the end of a project. Further, this legislation will ease contractors' cash flow burdens, encouraging new developments in Illinois. Continued abusive retainage practices risk putting contractors out of business. **Forty-seven other states have enacted retainage reform laws to free up capital and permit contractors, especially smaller subcontractors, to perform more work rather than wait for payment.** Illinois should follow their lead and adopt SB 1636.

PROPONENTS:

AFL-CIO, Construction Industry Service Corporation (CISCO), Chicago Roofing Contractors Association, Federation of Women Contractors, Hispanic American Construction Industry Association (HACIA), Illinois Construction Industry Committee, Illinois Pipe Trades Association, Illinois Road and Transportation Builders Association, Southwestern Illinois Employers Association, Women Construction Owners and Executives

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