



Re: Please Support HB 2870

Chair Taylor and Committee Members;

My name is John Killin. I am the Executive Director of the Associated Wall and Ceiling Contractors of Oregon and SW Washington. AWCC represents commercial contractors employing more than three thousand local construction professionals who managed and performed nearly four million hours of framing, drywall hanging, plastering, painting, and fireproofing last year. On their behalf, I ask that you support House Bill HB 2870 with the coalition amendments.

Throughout the last couple decades, the commercial construction community has struggled with retainage where lenders, agencies, owners, or others hold a portion of the contractors' fees to ensure the project is correctly completed. This is on top of warranties and other performance bonds. While this practice might help ensure the proper completion of a project, these retained fees are sometimes held for months and even years after a project was completed, accepted, and occupied.

In virtually no other industry would you be told after the fact that the last 5% of your fees are going to be held for years after the completion of the project for issues potentially unrelated to your own performance. And if you would like to be paid sooner, you may have to accept pennies on the dollar. Retainage commonly forces subcontractors into borrowing money to keep their doors open while someone else holds their funds. And for newer or less financially stable companies, this situation can lead to a business's failure.

With that said, we recognize that a portion of today's bill is to erase something that shouldn't have been passed two years ago. The escrow clause was a last-ditch effort, and it did not work. Fortunately, a coalition of industry groups and attorneys who work in this arena came together last year with the goal of fixing the escrow error and to apply a better retainage system. They knew a new system would have to help ensure projects are correctly completed and yet provide cash flow. I had the pleasure of serving on this coalition from the start and I believe HB 2870 is a properly written and practical solution.

This bill would allow a subcontractor to submit a bond in lieu of having retainage held. While bonding is not new, this bill is meant to require the owners and lenders to accept a bond as long as it meets the legal requirements. These bonds costing a relatively small amount will improve subcontractor cash flow and support them in providing high-wage jobs. We believe that this bill will particularly help smaller subcontractors and women-and-minority- owned subcontractors better compete for projects and grow their businesses by increasing their cash flow.

This same "bond in lieu of" system has existed for Washington contractors performing public works for years. And just last week a bill to expand this system to Washington's private commercial works was sent to their Governor's desk. The passage of HB 2870 would not only make a huge difference in Oregon, but it would also help create retainage consistency in the northwest.

Again, we ask that you support HB 2870 with the collation amendments, and I am available to answer any questions.