



Legislative Representation for Over 2000 Construction Employers

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## **VOTE YES ON SB 3052 (Sen. Mulroe/Leader Arroyo)**

### **Retainage Reform**

The withholding of retainage creates an imbalance of power between owners/developers and contractors. SB 3052 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, preventing them from performing more work or hiring new employees, until their capital is returned from work long approved and completed. Historically, retainage of ten percent was withheld because that was the expected profit for a contractor, a percentage now closer to 3%. **SB 3052 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 Retainage is an outdated, economically unfeasible payment method that must be corrected in Illinois.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 3052**. This legislation amends the Contractor Prompt Payment Act and addresses retention on private, commercial construction projects. **SB 3052 would allow retainage to be withheld at 10%, but requires it to be reduced to 5% when a construction project is 50% complete.** SB 3052 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. 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 3052.

#### **PROPONENTS:**

**Construction Industry Service Corporation (CISCO), Chicago Roofing Contractors Association, DuPage Building and Construction Trades Council, Federation of Women Contractors, Hispanic American Construction Industry Association (HACIA), IBEW Local 701, Illinois Construction Industry Committee, Illinois Pipe Trades Association, Illinois Road and Transportation Builders Association, Roofers Local 11, Southwestern Illinois Employers Association**

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