



HOUSE BILL 288 - (REQUIRE CONSTRUCTION PROJECT OWNERS TO TIMELY PAY CONTRACTORS)

PROPONENT TESTIMONY- OHIO HOUSE SMALL BUSINESS COMMITTEE

JUNE 3, 2025

Chairman Ghanbari, Vice-Chair Dean, Ranking Member Upchurch and members of the Ohio House Small Business Committee, thank you for the opportunity to provide proponent testimony on behalf of the nearly 21,000 members of the National Federation of Independent Business in Ohio (NFIB) to lend our support for House Bill 288.

NFIB is a small business trade association founded in 1943 that is dedicated to representing the interests of small and independent businesses across our state and nation. NFIB's mission is to promote the right of our members to own, operate and grow their businesses. NFIB members come from all industry sectors and each of the 88 counties across Ohio. Our average member has 15 or fewer employees and does less than \$2 million in annual gross receipts, truly representing Main Street.

HB 288 would amend Ohio's Prompt Pay Act to establish a 30-day deadline for owners of private construction projects to make payment to project contractors following final completion or certification of the work for which that contractor was responsible. This legislation would fill in the missing piece regarding prompt pay laws in Ohio as current Ohio Revised Code (ORC) 4113.61 requires prime (general) contractors to make payment to subcontractors no more than 10 days following receipt of payment by a project owner and allows another 10 days for payment to further tiers of subcontractors. Additionally, a separate statute, ORC 126.30, already includes a 30-day payment window for public project owners to make payment to the general contractor and then the same 10-day window applies for all levels of subcontractors.

NFIB has heard from a number of our contractor members, both general contractors and subcontractors, regarding the necessity of this bill as they've experienced project owners delaying payment for several

months after receipt of the final invoice. Some have had to increase their bid prices by 10% -15% to account for coverage of financing due to delayed recoupment. Most large-scale private projects require numerous small specialty contractors to ensure the project is completed and in a timely manner. These companies tend to be small businesses that employ just a handful of individuals. When final payment to the general contractor is delayed unnecessarily for an extended period, this leads to severe cash flow problems for these businesses. These small business owners are forced to incur credit card debt or take-out short-term high-interest loans to float the costs of everything from materials and supplies to labor and fuel. The NFIB Research Center's *2024 Problems and Priorities* study found that out of a list of 75 business issues, the cost of inventory and supplies was the 4th highest problem facing Ohio small businesses, with interest rates being the 13th highest problem.¹ This highlights the realities facing such small businesses as those outstanding costs can hinder their growth and success and ability to bid on future jobs.

While remedies exist currently for contractors not being paid on time, they include actions like mechanics' liens or simply forgoing the remainder of the job. Rather than resort to an expensive and lengthy legal process or abandoning a project after devoting much time and resources, these companies would rather just complete the work, get paid in a timely manner and then move on to the next job.

We believe this legislation will work to ensure the pace of business goes unhindered for these small contractors so they can continue to invest in their operations and employees and fuel future growth. NFIB would like to thank the sponsors of HB 288 as we believe it provides a meaningful solution to a problem faced by Ohio's small contractors who are vital to the economic success of the state and their communities. We appreciate the committee's consideration, and I am happy to answer any questions.

¹<https://www.nfib.com/small-business-problems-and-priorities/?tab=Select%20State%20Problems%20and%20Priorities>