



House Bill 568
Proponent Testimony
National Electrical Contractors Association

Chairman Ghanbari, Vice-Chair Dean, Ranking Member Upchurch and members of the House Small Business Committee:

Our names are Kevin Broxterman and Jason Walden. We are representing the Cincinnati, Greater Cleveland and North Central Ohio Chapters of the National Electrical Contractors Association (NECA). NECA represents union electrical contractors throughout Ohio and the country.

Our members are the subcontractors who perform the commercial and industrial electrical work that powers this state, installing systems in everything from hospitals and data centers to manufacturing facilities. We are small business owners, job creators, and innovators. Our chapters of NECA are proud to support House Bill 568 and thank Representatives Mathews and Santucci for their introduction of this important legislation.

House Bill 568 is a vital, common-sense reform aimed at improving the financial stability and efficiency of Ohio's private construction sector.

This legislation addresses the practice of excessive retainage on private construction projects. Retainage, intended as a security measure to ensure quality and completion, is currently employed as a blanket withholding, frequently set at 10% or more, regardless of the subcontractor's performance.

Like other specialized trade contractors, electrical contractors operate on thin profit margins. NECA's financial surveys consistently reveal that after-tax profits for our members average between 2% and 5%. Holding 10% of their contract value—money that is often equivalent to, or greater than, their entire profit on a job—for months or years is crippling. This practice turns small and medium-sized contractors into involuntary lenders to the project owner or general contractor.

HB 568 provides a fair and reasonable solution by establishing a **maximum retainage of 5%** for private construction contracts over \$1 million. HB 568:

1. **Improves Cash Flow for Economic Growth:** Limiting retainage to 5% immediately frees up critical working capital for our members. This capital is essential for covering operating expenses, meeting payroll, purchasing materials for the next job, and investing in continuous workforce development and safety training. This is not just a contractor issue; it is an economic development issue, keeping contractors bidding, hiring, and growing.
2. **Adequate Owner Protection:** A 5% limit remains a substantial amount that provides ample leverage for project owners to ensure work is completed and deficiencies are corrected. Furthermore, the bill explicitly states that payment of retainage is **not** required where there is a good faith claim directly related to the work performed. This provision is crucial and ensures owners are protected against defective or incomplete work without abusing the retainage mechanism.
3. **Encourages Fair Business Practices:** Excessive retainage incentivizes late payments and allows owners to temporarily "float" millions of dollars that rightfully belong to the contractors who have performed the work. HB 568 promotes ethical and timely business relationships, ensuring contractors receive payment for completed work in a reasonable timeframe.

We urge your support for HB 568, as it is truly a pro-small business, pro economic development bill. Thank you for the opportunity to offer testimony.

Jason Walden

NECA, Greater Cleveland & North Central Ohio Chapters
&

Kevin Broxterman

NECA, Cincinnati Chapter