



**HOUSE SMALL BUSINESS COMMITTEE
H.B. 568, Proponent Testimony**

**Presented on November 17, 2025 by
Andrea Ashley, VP of Government Relations,
Associated General Contractors (AGC) of Ohio**

Chair Ghanbari, Vice Chair Dean, Ranking Member Upchurch, and Representatives on the House Small Business Committee:

Thank you for the opportunity to testify in support of **House Bill 568**, legislation to establish a reasonable limit on retainage for private construction projects in Ohio.

The **Associated General Contractors (AGC) of Ohio** represents both large and small, union and open shop, commercial building and industrial contractors across the state. Our members construct schools, data centers, hospitals, manufacturing facilities, offices, mixed-use developments, and other vertical structures. They employ thousands of Ohioans and contribute significantly to our state's economy.

What House Bill 568 Does:

House Bill 568 establishes a clear, reasonable limit on retainage for private construction projects — up to **5% of the total contract value**. And, this provision would apply only to **private contracts or subcontracts valued at more than \$1 million**, ensuring that it targets larger, complex projects while maintaining flexibility for smaller ones.

Importantly, the bill **does not alter any of the existing legal safeguards** that protect owners and contractors in the event of disputes, defects, or incomplete work. They would continue to have every right and remedy under current law to withhold payment for legitimate claims.

Why Retainage Reform Is Needed:

Retainage is the portion of payment withheld from contractors and subcontractors until the end of a project. It is intended to provide assurance that work will be completed properly and incentivizes contractors to resolve any deficiencies. However, when excessive retainage is withheld for long periods, it creates serious financial strain on construction firms.

Keep in mind, commercial construction is a high-risk, high-volume, and low-margin industry – particularly on the vertical building side. Cash flow is extremely important. Money is necessary to compensate workers, pay subcontractors and suppliers, procure materials and equipment, fund new projects, and finance other company functions. Strong cash flow is essential to secure bonding, insurance, and be considered for future projects (facility owners often assess contractors' financial stability before hiring them).

In Ohio, **private retainage practices can exceed reasonable limits**, tying up capital that could otherwise be reinvested into the company's workforce or operations. For many firms—especially small and mid-sized contractors—excessive withheld funds could result in delayed payroll or lost business opportunities.

Establishing a **5% limit for \$1 million contracts** strikes the right balance. It would

- ensure owners retain sufficient leverage to guarantee quality and completion;
- allow contractors to keep more of their earned revenue; and
- align Ohio with the practices of at least **15 other states** that have already adopted similar limits on retainage.

House Bill 568 is a **commonsense reform** that promotes fairness and supports continued economic growth. It ensures that Ohio can continue to build efficiently and responsibly—while allowing contractors to invest in their skilled workforce and local businesses.

The **Associated General Contractors of Ohio** urges your favorable consideration of **H.B. 568**. Thank you for your time and attention. I would be happy to answer any questions.