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TESTIMONY IN FAVOR OF ASSEMBLY BILL NO. 316

Submitted by Steve Holloway, Executive Vice President, Associated General Contractors, Las Vegas Chapter, 150 North Durango Drive, Las Vegas, Nevada 89145.

We refer to Assembly Bill No. 316 as the "show me the money bill." It is modeled after a California Statute. It addresses three problems with our current laws.

First, it addresses a problem with our current lien law. Simply stated, a mechanic's lien will not be upheld if the owner declares bankruptcy. There is therefore no real security for a contractor who provides labor, materials and equipment on a construction project for an owner who then declares bankruptcy. In Southern Nevada, this has been a frequent occurrence as evidenced by the Aladdin, Regency and numerous smaller projects.

Secondly, it addresses the problem that all owner/developers have with lessees who engage a contractor to construct a tenant improvement. If the tenant walks off, neither the owner/developer or the contractors who have provided labor, materials and equipment have any recourse. They are, in effect, left holding the bag.

Finally, it must be noted that if a prime contractor is not paid then, as a general rule, he is not obligated to pay his subcontractors. AB 316 ensures that both the prime contractor and his subcontractors will be paid.

We believe that AB 316 is an important piece of legislation that will do much to ensure the financial solvency of the construction industry in this state.

Thank you.