

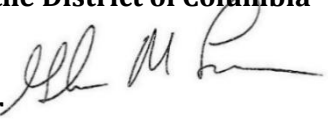
Government of the District of Columbia
Office of the Chief Financial Officer



Glen Lee
Chief Financial Officer

MEMORANDUM

TO: The Honorable Phil Mendelson
Chairman, Council of the District of Columbia

FROM: Glen Lee
Chief Financial Officer 

DATE: October 19, 2026

SUBJECT: Fiscal Impact Statement – Contractor’s Right to Stop Work for
Nonpayment Amendment Act of 2026

REFERENCE: Bill 26-254, Draft Committee Print as provided to the Office of Revenue
Analysis on October 5, 2026

Conclusion

Funds are sufficient in the fiscal year 2027 through fiscal year 2030 budget and financial plan to implement the bill.

Background

If a construction or food contract does not explicitly state the dates by which an owner, contractor, or subcontractor must pay a contractor or subcontractor, District law sets timelines for payment and required interest penalties for late payments.¹ For construction contracts, an owner² must pay a contractor on no later than the earlier of fifteen days after the owner receives an occupancy permit, fifteen days after the owner takes possession of the property, or fifteen days after the owner receives a contractor’s payment request. For food contracts, an owner must pay by no later than the earlier of fifteen days after taking possession of the food items or fifteen days after receiving the contractor’s pay request. For contracts between a contractor and subcontractor or between two subcontractors, payment must be made within seven days of receiving payment for the subcontractor’s work or

¹ Private Contractor and Subcontractor Prompt Payment Act of 2013, effective November 5, 2013 (D.C. Law 20-34; D.C. Official Code § 27A-101 *et seq.*).

² "Owner" means an owner of the property or a tenant; provided, that the tenant enters into contract with a contractor. The term "owner" does not include a District agency. (D.C. Official Code § 27A-101(4))

materials. Contractors and subcontractors can pursue private action in court against any owner, contractor, or subcontractor for nonpayment.

The bill expands an unpaid contractor's or subcontractor's recourse to include stopping work on a project if certain conditions are met. A contractor or subcontractor must provide notice that thirty days have passed since payment was due and that failure to make payment within ten days will result in a work stoppage. At least ten days after that notice, the contractor or subcontractor must provide written notice that it is stopping work on the project until payment is received. Contractors and subcontractors must also provide copies of these notices to all subcontractors directly related to the contractor or subcontractor intending to stop work. If the work stoppage is properly noticed, then the bill establishes that the contractor's or subcontractor's surety is not liable for delays or damage caused by the stoppage.

The bill allows an owner, contractor, or subcontractor to withhold payment from a contractor or subcontractor for deficiency items³ and disputed amounts so long as the amount withheld does not exceed the costs and expenses reasonably expected to cure a deficiency item or the disputed amount. The owner, contractor, or subcontractor has fourteen days from receipt of a payment request to notify the contractor or subcontractor of a deficiency item. The bill gives an owner, contractor, or subcontractor seven days to notice in writing that a request for payment is incomplete or has a defect or impropriety. An owner, contractor, or subcontractor should promptly pay a contractor or subcontractor if the incompleteness, defect, or impropriety is cured and the payment request is resubmitted.

The bill voids any contract provisions prohibiting the ability of a contractor or subcontractor to stop work for nonpayment for contracts executed after April 30, 2027.

Financial Plan Impact

Funds are sufficient in the fiscal year 2027 through fiscal year 2030 budget and financial plan to implement the bill. The bill expands a contractor or subcontractor's recourse for nonpayment of an invoice to include a work stoppage once a payment is thirty days past due, proper written notice is provided, and ten days has elapsed. The bill also establishes valid reasons and parameters for an owner, contractor, or subcontractor to withhold some or all of payments due. Owners, contractors, and subcontractors can pursue violations of the bill's changes through civil actions in court. The District will not incur any costs associated with the bill's implementation.

³ The bill defines deficiency items as unsatisfactory or disputed job progress, defective construction work or material not remedied, disputed work materials, or a failure to comply with a material provision of the construction contract.