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May 5, 2026

House Labor & Commerce Committee
Alaska State Legislature
State Capitol
Juneau, Alaska

RE: HB 389 – Retainage on Public and Private Construction Contracts

Co-Chairs and Members of the Committee,

My name is Jesse Hale. I currently serve as the National Electrical Contractors Association (NECA) Alaska Chapter Governor. My role as Governor charges me with helping give voice to our industry and our membership.

I am writing today in support of House Bill 389 and the effort to bring consistency, fairness, and structure to how retainage is handled in Alaska construction contracts. The bill's goal of standardizing retainage practices and establishing a five percent cap is welcomed by the contracting community.

From a contractor's perspective, retainage is one of the most significant yet avoidable pressure points in construction. It directly impacts cash flow, bonding capacity, and the ability to keep projects moving efficiently. Today, retainage practices vary widely depending on the owner, contract terms, and project administration. In practice, contractors may see retainage rates ranging anywhere from 2.5% to 15%.

HB 389 provides much-needed predictability by limiting retainage to no more than five percent of progress payments and the total contract price. This type of standardization allows contractors to better plan projects, price work more accurately, and reduce disputes.

The timing of retainage release is equally important. The bill establishes defined payment timelines for contractors and subcontractors upon satisfactory completion of work. Delays in releasing retainage can tie up substantial amounts of capital long after work is complete, forcing contractors—particularly small Alaska businesses—to rely on costly financing simply to continue operating.

This issue has become increasingly significant throughout Alaska’s construction industry over the last several years. NECA contractors across the state continue to report growing concerns regarding the expanded use and higher percentages of retainage being imposed on projects. These practices can disproportionately impact smaller contractors and emerging businesses that have limited access to capital and financing.

It is also important to recognize that private and public investment in construction projects is critical to Alaska’s growth and long-term economic health. Owners and developers deserve reasonable protections that help ensure projects are completed responsibly and in accordance with contract requirements. HB 389 strikes an important balance by preserving retainage as a tool for project assurance while establishing fair guardrails that protect contractors and subcontractors from excessive financial burden. In doing so, the bill supports both continued investment in Alaska projects and a healthier, more sustainable construction environment for all parties involved.

In closing, I support HB 389 because it promotes fairness, transparency, and consistency in Alaska’s construction industry while helping contractors and subcontractors better manage financial risk. I appreciate the committee’s consideration of this legislation and thank you for your time.

Respectfully,

A handwritten signature in blue ink, appearing to be 'Jesse Hale', written in a cursive style.

Jesse Hale
NECA Alaska Chapter Governor