

HOUSE RESEARCH

Bill Summary

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Authors: Quam and others

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Analyst: Mark Shepard

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Section

1 Prompt payment to subcontractors. Current law provides that state agency contracts must require the prime contractor to pay any subcontractor within ten days of the prime contractor being paid by the state for undisputed services provided by the subcontractor. Current law also requires the prime contractor to pay interest for late payments to subcontractors, and references a civil action by a subcontractor.

This bill provides that if a judgment obtained by a subcontractor is uncollectible, and the state agency has contract retainage funds, the state agency may pay a subcontractor, up to the principal amount of work performed, from the retainage (or may dispense pro rata shares of the retainage among multiple subcontractors).

The bill provides that if a state agency does not require a financial mechanism to ensure that a prime contractor will pay subcontractors, the state agency must pay subcontractors directly during the term of the contract.