
OLR Bill Analysis

sHB 6666

AN ACT REQUIRING THE PROMPT PAYMENT OF CONTRACTORS.

SUMMARY

This bill requires commercial construction contracts to contain provisions requiring general contractors to (1) pay any subcontractor or supplier for labor and materials within 25 days after receiving payment from the owner (rather than 30 days under current law), and (2) include a comparable payment provision in each of their subcontracts. By law, unchanged by the bill, owners must pay amounts due for labor and materials within 30 days.

The bill also reduces the timeframe in which state agencies, quasi-public agencies, and municipalities must pay a small contractor under the Small and Minority-Owned Business Set-Aside program from 30 days to 25 days from the date payment is due (see BACKGROUND).

EFFECTIVE DATE: October 1, 2019

BACKGROUND

Commercial Construction Contracts

By law, a construction contract is a contract or subcontract for construction, renovation, or rehabilitation between (1) an owner and contractor, (2) a contractor and subcontractor, or (3) subcontractors. But it is not a contract (1) for public works or other building entered into by any local, state, or federal governments; (2) funded or insured by the U.S. Department of Housing and Urban Development; (3) between an owner and contractor for less than \$25,000 or a subcontract made under one; or (4) for a building intended for residential occupancy with four or fewer units (CGS § 42-158i).

Prompt Payment Laws

Generally, prompt payment laws set out a schedule for project owners to pay contractors and contractors to in turn pay subcontractors. These laws also include remedies for contractors, subcontractors, and suppliers that are not paid according to the schedule. The remedies often include interest on the amount owed, beginning on the date payment was due and, for those contractors and subcontractors who are successful in civil actions for payment, attorneys' fees.

Small and Minority-Owned Business Set-Aside Requirements

By law, state agencies, quasi-public agencies, and municipalities must set aside at least 25% of the total value of contracts for construction, goods, and services each year for bidding exclusively by state-certified small businesses. They must further set aside 25% of the set-aside value for exclusive bidding by small businesses owned and operated by minority group members (CGS § 4a-60g).

Small and minority-owned small businesses may bid on a set-aside contract if they meet statutory criteria, as certified by the Department of Administrative Services for state contracts and the Commission on Human Rights and Opportunities for municipal public works contracts and contracts for quasi-public agency projects. A business or nonprofit organization qualifies as a small business if:

1. its principal place of business is in Connecticut;
2. it grossed no more than \$15 million in its most recent fiscal year;
and
3. it does not depend on another person for personnel, facilities, equipment, other resources, and financial support, including bonding.

In addition to meeting these criteria, a small minority-owned business qualifies as a minority-owned business if (1) at least 51% of the business is owned by women, members of minority groups, or people with disabilities and (2) these people possess managerial and technical competence and experience directly related to the business's

principal activities.

COMMITTEE ACTION

Government Administration and Elections Committee

Joint Favorable Substitute

Yea 16 Nay 0 (03/29/2019)