

# Government Administration and Elections Committee

## JOINT FAVORABLE REPORT

**Bill No.:** HB-6666

**Title:** AN ACT REQUIRING THE PROMPT PAYMENT OF CONTRACTORS.

**Vote Date:** 3/29/2019

**Vote Action:** Joint Favorable Substitute

**PH Date:** 2/27/2019

**File No.:**

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### SPONSORS OF BILL:

Government Administration and Elections Committee

### CO-Sponsors:

Rep. Joshua M. Hall, 7<sup>th</sup> Dist.

Sen. George S. Logan, 17<sup>th</sup> Dist.

Rep. Robyn A. Porter, 94<sup>th</sup> Dist.

Sen. Douglas McCorry, 2<sup>nd</sup> Dist.

Rep. Susan M. Johnson, 49<sup>th</sup> Dist.

Rep. Tom Delnicki, 4<sup>th</sup> Dist.

Rep. Brandon L. McGee, 5<sup>th</sup> Dist.

### REASONS FOR BILL:

The prompt payment of contractors and sub contractors is a significant issue for construction specialty trade contractors and suppliers and has a topic of interest among lobbyists and legislatures throughout the country. As a result, many jurisdictions have passed prompt pay acts requiring prompt payment on construction contracts within specified periods of time by owners and/or contractors. State agencies and project owners must pay prime contractors 30 days after they receive an invoice, prime contractors must pay subcontractors 30 days after and subcontractors have up to 30 days to pay the lower tier subcontractors. As a result subcontractors have to wait up to 90 days to receive payment for a completed project. Often these subcontractors are small and/or minority owned businesses.

The bill requires general contractors of commercial and state set-aside construction contracts to (1) pay for labor and materials within 25 days after receiving payment from the owner (rather than 30 days under current law), and (2) require their subcontractors and suppliers to include comparable provisions in their contracts with other subcontractors and suppliers. By

law, unchanged by the bill, owners must pay amounts due for labor and materials within 30 days.

**Substitute Language LCO No. 6711:** The bill also reduces the required timeframe for state agencies, quasi-public agencies, and municipalities to 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.

#### **RESPONSE FROM ADMINISTRATION/AGENCY:**

**Rep. Joshua Hall, 7<sup>th</sup> Dist.:** Rep. Hall supports this bill: 90 days is too long for a subcontractor to wait to receive payment for a completed project. This bill will allow subcontractors to be paid within a 30 day period. This benefits subcontractors already participating in the bidding process, as well as enable lower tier subcontractors to begin participating as well. This also has potential for cost savings on state construction projects due to increased competition.

**State of Connecticut, Commission on Human Rights and Opportunities:** We support this bill. The bill will expedite payments to small businesses and minority business enterprises for the work they perform through their participation in set aside plans.

#### **NATURE AND SOURCES OF SUPPORT:**

**Jennifer Little-Greer, Executive Director, Minority Construction Council:** For the stated recommendations listed below we support this bill: Prompt payment terms be decreased from 30 days to 20 days for first tier contractors and the remaining proposed prompt payment terms be decreased from 30 days to 10 days for the other tiers of subcontractors. The Minority Construction Council members think if the proposed changes are approved there would be an increase in bid participation from third and fourth tier subcontractors.

#### **NATURE AND SOURCES OF OPPOSITION:**

**Kevin A. Dillon, Executive Director, Connecticut Airport Authority:** The majority of our payments on capital projects must run through not only the CAA's financial system process, but also the system of our bond trustee. A 25 day deadline would be unworkable when achieving as many approvals are necessary for our payments. The CAA believes that the payment terms should be open to negotiation with a no default deadline, to allow for longer terms or even shorter terms when the circumstances allow it. The CAA requests that the committee strike the default deadlines and leave payment terms to the negotiating process between the owner and the contractor.

**Reported by: Maureen O'Reilly  
Assistant Clerk**

**Date: 4/5/19**