Bill No.: SB-849
Title: AN ACT CONCERNING CHANGE ORDERS IN CONSTRUCTION CONTRACTS.
Vote Date: 3/5/2019
Vote Action: Joint Favorable
PH Date: 2/19/2019
File No.: 77

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SPONSORS OF BILL:
General Law

REASONS FOR BILL:
To require a minimum allowable rate of 15% to be included in private and public construction contracts for any work performed by a contractor/subcontractor pursuant a change order. This bill was raised in order to ensure that contractors/subcontractors receive compensation that will cover overhead and profit costs when extra work is required.

RESPONSE FROM ADMINISTRATION/AGENCY:
Kevin Dillon, Executive Director of Connecticut Airport Authority: Testified in opposition to SB 849 on the grounds that it will lead to higher construction costs at airports. As it stands CAA negotiates directly with their contractors in order to come up with a figure that is fair for extra work. But a minimum floor of 15% is too high of a figure to start out with; it is much more appropriate to let such a figure be negotiated between the parties.

NATURE AND SOURCES OF SUPPORT:
William J. Flynn, Jr., Vice-President, Electrical Contractors Inc: Testified in favor of SB 848 because it will ensure that when contractors and subcontractors are mandated by the owner to perform extra work due to a change order, they will be fairly compensated for that work. The above will be instrumental in ensuring that the owner will not receive hundreds of thousands of dollars of extra work well below the actual cost incurred by the contractors and subcontractors to perform this work.
Steve Kaplan, a partner with Michelson, Kane, Royster, & Barger, P.C: Testified in support of SB 849 because in almost all commercial and public construction contracts there are clauses included that require contractors to perform extra work that is not originally included in the contract. Additionally if a negotiated price cannot be reached by both parties the contractor/subcontractor is still required to perform this extra work on a “cost plus” basis which is only minimal overhead and profit paid above the direct cost of performing the work.

Cheryl Dudas, Executive Director of the Independent Electrical Contractors of New England Inc: Testified in favor of SB 848 and believes that this is a step in the right direction because it is common knowledge throughout the industry that 15% is known as the “break even” mark to recoup costs of extra work. The current unregulated 10% “norm” that is seen throughout the industry leaves contractors/subcontractors at a loss.

NATURE AND SOURCES OF OPPOSITION:

Betsy Garza, Executive Director, Connecticut Council of Small towns: Testified in opposition of SB 848 because it will inflate municipal project costs which will create a greater burden on taxpaying property owners. This will also be a significant cost to municipalities that currently pay less than 15% for any overhead related to certain change orders.

Reported by: Jeff Lucas, Committee Clerk Date: 03/08/2019