

# HOUSE BILL REPORT

## HB 2667

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**As Reported By House Committee On:**  
State Government

**Title:** An act relating to prompt payment for goods and services provided to the state of Washington.

**Brief Description:** Establishing standards for the prompt payment of bills incurred by state government.

**Sponsors:** Representatives Veloria, Clements, Conway, G. Chandler, Gombosky, Dunn, Cooper, Campbell, Kenney and Buck.

**Brief History:**

**Committee Activity:**

State Government: 1/25/00, 2/4/00 [DPS].

**Brief Summary of Substitute Bill**

- Requires a state agency to reimburse a contractor for interest charges incurred as a result of a late payment to the contractor by the agency.
- Prohibits a contract from containing provisions inconsistent with the payment of interest required under the law.
- Requires contractors on public works projects to pay subcontractors subject to similar deadlines and penalties as state agencies.

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### HOUSE COMMITTEE ON STATE GOVERNMENT

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 8 members: Representatives McMorris, Republican Co-Chair; Romero, Democratic Co-Chair; Campbell, Republican Vice Chair; Miloscia, Democratic Vice Chair; Dunshee; Haigh; Lambert and D. Schmidt.

**Staff:** Jim Morishima (786-7191).

**Background:**

State agencies enter into three basic types of contracts: 1) contracts for materials, supplies, and equipment, 2) contracts for public works, including contracts for highway construction, and 3) contracts for services, including personal service contracts.

State agencies and local governments must make payments on contracts within 30 days of receiving an invoice unless:

- the contract is funded by federal money, in which case payment must be made within 30 days of receiving an invoice or 30 days of receiving the federal funds, whichever is later; or
- the contract is a public works contract and has been performed in an unsatisfactory manner.

The 30-day payment deadline does not apply to:

- interagency or intergovernmental transactions;
- amounts payable to government employees as reimbursement for expenses;
- claims subject to a good faith dispute; or
- delinquencies due to natural disasters, disruptions in postal service, work stoppages due to labor disputes, power failures, or any other cause outside of the control of the agency or unit of local government.

On public works contracts, an agency or unit of local government has eight days to notify the contractor that performance is unsatisfactory. When withholding payment, the agency or local government must notify the contractor of remedial actions that must be taken. Once the work has been completed in a satisfactory manner, the 30-day payment deadline applies.

If the agency or local government fails to make payment within the required time, the agency must pay a 1 percent interest payment to the contractor. The payment must be made from funds designated for the administrative costs of the agency and must not be paid from funds appropriated for client services.

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### **Summary of Substitute Bill:**

A contractor who incurs an interest obligation as a result of a late agency payment must be reimbursed by the agency for the interest obligation.

Contract provisions containing provisions contrary to the interest requirements in the current law are wholly void.

Contractors on public works projects must pay subcontractors on the date specified in the contract or, if no date is specified, within 30 days. If the contractor does not

adhere to these deadlines, the contractor is subject to the same interest obligation as a state agency.

**Substitute Bill Compared to Original Bill:** Provisions duplicating current law are removed. The requirement that the state treasurer develop procedures for calculating and paying interest obligations is removed. The requirement that the state treasurer provide a report on state agency interest payments is removed. The requirement that contractors on public works projects pay subcontractors subject to similar deadlines and penalties is added.

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**Appropriation:** None.

**Fiscal Note:** Not requested.

**Effective Date of Substitute Bill:** Ninety days after adjournment of session in which bill is passed.

**Testimony For:** This bill ensures that government will pay its bills on time, which will help encourage small businesses to do business with the state. The bill also allows contractors to collect any interest obligation they incur as a result of a late payment.

**Testimony Against:** None.

**Testified:** Representative Velma Veloria, prime sponsor; Rick Slunaker, Associated General Contractors; and Larry Stevens, Mechanical Contractors Association.