

HOUSE BILL REPORT

HB 1195

As Reported by House Committee On:
State Government & Tribal Affairs
Capital Budget

Title: An act relating to payment of undisputed claims.

Brief Description: Regarding payment of undisputed claims.

Sponsors: Representatives Haigh, Kristiansen and Hunt; by request of Capital Projects Advisory Review Board.

Brief History:

Committee Activity:

State Government & Tribal Affairs: 1/23/09, 2/5/09 [DP];
Capital Budget: 2/19/09 [DP].

Brief Summary of Bill

- Requires issuance of change orders to public works contracts on the dollar amount not in dispute within 30 days of satisfactory completion of the work.
- Obligates payment of interest on the amount not in dispute.

HOUSE COMMITTEE ON STATE GOVERNMENT & TRIBAL AFFAIRS

Majority Report: Do pass. Signed by 7 members: Representatives Hunt, Chair; Appleton, Vice Chair; Armstrong, Ranking Minority Member; Alexander, Flannigan, Hurst and Miloscia.

Staff: Marsha Reilly (786-7135)

Background:

Public works contracts contain various provisions covering unanticipated situations that may arise during the course of construction. Such protest and claim clauses generally require the contractor to follow specific notice requirements when seeking additional payment for extra work done and increased expenses incurred. A change from the approved scope of work requiring additional work is accomplished through a change order request. The change order

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must be approved by the public owner before the contractor can receive payment for the work.

Summary of Bill:

A state or municipality must issue a change order to a public works contract for the full dollar amount of the work not in dispute within 30 days of satisfactory completion of the additional work. Failure to do so will result in interest paid by the state or municipality on the undisputed amount at a rate of 1 percent per month.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony:

(In support) This bill is the result of an extensive effort by all stakeholders and was passed by a unanimous vote by the Capital Projects Advisory Review Board. The bill represents a good compromise to get money to contractors as fast as possible for work not in dispute. The bill requires that work not in dispute be funded within 30 days of satisfactory completion. The certainty of the money helps public owners and contractors alike. The decision for the 1 percent interest rate was based on the interest rate under the prompt payment act.

(Opposed) King County supports the principle of the bill but it does not fully address the issue. The term “satisfactory completion” is ambiguous. Thirty days after satisfactory completion may cause problems as to when that point in time is. The bill needs to be more specific.

Persons Testifying: (In support) Representative Haigh, prime sponsor; Bob Maruska and John Ahlers, Capital Projects Advisory Review Board.

(Opposed) Joe Barnett, King County Government.

Persons Signed In To Testify But Not Testifying: None.

HOUSE COMMITTEE ON CAPITAL BUDGET

Majority Report: Do pass. Signed by 14 members: Representatives Dunshee, Chair; Ormsby, Vice Chair; Warnick, Ranking Minority Member; Pearson, Assistant Ranking Minority Member; Anderson, Blake, Chase, Hope, Jacks, Maxwell, McCune, Orwall, Smith and White.

Staff: Steve Masse (786-7115)

Summary of Recommendation of Committee On Capital Budget Compared to Recommendation of Committee On State Government & Tribal Affairs:

No new changes were recommended.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony:

(In support) Change orders should be settled as soon as possible. If there is an issue that cannot be agreed to on a change order, the issue should be set aside and the contractor should be compensated for agreed upon work done.

(Opposed) None.

Persons Testifying: Larry Stevens, Mechanical Contractors Association and National Electrical Contractors Association; and John Lynch, General Administration.

Persons Signed In To Testify But Not Testifying: None.