

# SENATE BILL REPORT

## SHB 2667

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As Reported By Senate Committee On:  
State & Local Government, February 24, 2000

**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:** House Committee on State Government (originally sponsored by Representatives Veloria, Clements, Conway, G. Chandler, Gombosky, Dunn, Cooper, Campbell, Kenney and Buck).

**Brief History:**

**Committee Activity:** State & Local Government: 2/16/2000, 2/24/2000 [DPA, DNP].

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### SENATE COMMITTEE ON STATE & LOCAL GOVERNMENT

**Majority Report:** Do pass as amended.

Signed by Senators Patterson, Chair; Hale, Horn and McCaslin.

**Minority Report:** Do not pass.

Signed by Senator Gardner, Vice Chair.

**Staff:** Roger Brodniak (786-7445)

**Background:** State agencies enter into contracts with contractors for equipment, construction, and services.

With certain exceptions, state agencies and local governments must make payments on contracts within 30 days of receiving an invoice.

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.

**Summary of Amended 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 void.

**Amended Bill Compared to Substitute Bill:** In the substitute bill, 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.

**Appropriation:** None.

**Fiscal Note:** Not requested.

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

**Testimony For:** The state should pay contractors on time. Money owed to subcontractors should flow down to the subcontractors. When contractors don't get paid on time, costs are driven up for bids. Cash flow for small businesses is the life blood at the organization.

**Testimony Against:** The bulk of the proposal is already covered under current law. This is redundant and opens the door for future expansions of the law into the dealings of private contractors.

**Testified:** PRO: Larry Stevens, United Subcontractors Association; Bob Gee, Western Building Material Association; Rick Slunaker, Associated General Contractors (concern).