

STATE OF NEW YORK

2394

2019-2020 Regular Sessions

IN SENATE

January 24, 2019

Introduced by Sen. BRESLIN -- read twice and ordered printed, and when printed to be committed to the Committee on Finance

AN ACT to amend the state finance law and the general municipal law, in relation to payment in construction contracts

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

1 Section 1. Subdivision 1 of section 139-f of the state finance law, as
2 added by chapter 769 of the laws of 1978, is amended to read as follows:
3 1. Payment by public owners to contractors. The contractor shall peri-
4 odically, in accordance with the terms of the contract, submit to the
5 public owner and/or his agent a requisition for a progress payment for
6 the work performed and/or materials furnished to the date of the requi-
7 sition, less any amount previously paid to the contractor. The public
8 owner shall in accordance with the terms of the contract approve and
9 promptly pay the requisition for the progress payment less an amount
10 necessary to satisfy any claims, liens or judgments against the contrac-
11 tor which have not been suitably discharged and less any retained amount
12 as hereafter described. The public owner shall retain not more than five
13 per centum of each progress payment to the contractor except that the
14 public owner may retain in excess of five per centum but not more than
15 ten per centum of each progress payment to the contractor provided that
16 there are no requirements by the public owner for the contractor to
17 provide a performance bond and a labor and material bond both in the
18 full amount of the contract. The public owner shall pay, upon requis-
19 tion from the contractor, for materials pertinent to the project which
20 have been delivered to the site or off-site by the contractor and/or
21 subcontractor and suitably stored and secured as required by the public
22 owner and the contractor provided, the public owner may limit such
23 payment to materials in short and/or critical supply and materials
24 specially fabricated for the project each as defined in the contract.
25 When the work or major portions thereof as contemplated by the terms of

EXPLANATION--Matter in italics (underscored) is new; matter in brackets
[-] is old law to be omitted.

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1 the contract [~~are substantially completed~~] has reached substantial
2 completion which, for the purposes of this section, shall mean the state
3 in the progress of the project when the work required by the contract
4 with the public owner is sufficiently complete in accordance with the
5 contract so that the public owner may occupy or utilize the work for its
6 intended use; provided further, that "substantial completion" shall
7 apply to the entire project or a portion of the entire project if the
8 contract with the public owner provides for occupancy or use of a
9 portion of the project, the contractor shall submit to the public owner
10 and/or his agent a requisition for payment of the remaining amount of
11 the contract balance. Upon receipt of such requisition the public owner
12 shall approve and promptly pay the remaining amount of the contract
13 balance less two times the value of any remaining items to be completed
14 and an amount necessary to satisfy any claims, liens or judgments
15 against the contractor which have not been suitably discharged. As the
16 remaining items of work are satisfactorily completed or corrected, the
17 public owner shall promptly pay, upon receipt of a requisition, for
18 these remaining items less an amount necessary to satisfy any claims,
19 liens or judgments against the contractor which have not been suitably
20 discharged. Any claims, liens and judgments referred to in this section
21 shall pertain to the project and shall be filed in accordance with the
22 terms of the applicable contract and/or applicable laws.

23 § 2. Subdivision 1-a of section 139-f of the state finance law is
24 renumbered subdivision 1-b and a new subdivision 1-a is added to read as
25 follows:

26 1-a. Not later than forty-five business days after the date when the
27 project has reached substantial completion, the public owner shall
28 submit to the contractor a written list describing all remaining items
29 to be completed by the contractor. Not later than seven calendar days
30 after receiving a written list describing all remaining items to be
31 completed by the contractor, the contractor shall submit to each subcon-
32 tractor from whom the contractor is withholding retainage a written list
33 of all remaining items required to be completed by the subcontractor.
34 Such list may include items in addition to those items on the public
35 owner's list.

36 § 3. Subdivision 1 of section 106-b of the general municipal law, as
37 amended by chapter 661 of the laws of 1992, paragraphs (a) and (c) as
38 amended by chapter 98 of the laws of 1995, is amended to read as
39 follows:

40 1. Payment by public owners to contractors. (a) The contractor shall
41 periodically, in accordance with the terms of the contract, submit to
42 the public owner and/or his agent a requisition for a progress payment
43 for the work performed and/or materials furnished to the date of the
44 requisition less any amount previously paid to the contractor. The
45 public owner shall in accordance with the terms of the contract approve
46 and promptly pay the requisition for the progress payment less an amount
47 necessary to satisfy any claims, liens or judgments against the contrac-
48 tor which have not been suitably discharged and less any retained amount
49 as hereafter described. The public owner shall retain not more than five
50 per centum of each progress payment to the contractor except that the
51 public owner may retain in excess of five per centum but not more than
52 ten per centum of each progress payment to the contractor provided that
53 there are no requirements by the public owner for the contractor to
54 provide a performance bond and a labor and material bond both in the
55 full amount of the contract. The public owner shall pay, upon requisition
56 from the contractor, for materials pertinent to the project which

1 have been delivered to the site or off-site by the contractor and/or
2 subcontractor and suitably stored and secured as required by the public
3 owner and the contractor provided, the public owner may limit such
4 payment to materials in short and/or critical supply and materials
5 specially fabricated for the project each as defined in the contract.
6 When the work or major portions thereof as contemplated by the terms of
7 the contract [~~are substantially completed~~] has reached substantial
8 completion which, for the purposes of this section, shall mean, for
9 public owners other than school districts and boards of cooperative
10 educational services, the state in the progress of the project when the
11 work required by the contract with the public owner is sufficiently
12 complete in accordance with the contract so that the public owner may
13 occupy or utilize the work for its intended use and shall mean, for
14 school districts and boards of cooperative educational services, is the
15 date the partial or final certificate of substantial completion of the
16 project which is the date certified by the architect or engineer when
17 the construction is code compliant and substantially complete in accord-
18 ance with the contract documents so the school district can occupy or
19 utilize the project or portion thereof for its intended use, the
20 contractor shall submit to the public owner and/or his agent a requisition
21 for payment of the remaining amount of the contract balance. Upon
22 receipt of such requisition the public owner shall approve and promptly
23 pay the remaining amount of the contract balance less two times the
24 value of any remaining items to be completed and an amount necessary to
25 satisfy any claims, liens or judgments against the contractor which have
26 not been suitably discharged. As the remaining items of work are satisfactorily
27 completed or corrected, the public owner shall promptly pay,
28 upon receipt of a requisition, for these items less an amount necessary
29 to satisfy any claims, liens or judgments against the contractor which
30 have not been suitably discharged. Any claims, liens and judgments
31 referred to in this section shall pertain to the project and shall be
32 filed in accordance with the terms of the applicable contract and/or
33 applicable laws. Where the public owner is other than the city of New
34 York, the term "promptly pay" shall mean payment within thirty days,
35 excluding legal holidays, of receipt of the requisition unless such
36 requisition is not approvable in accordance with the terms of the
37 contract. Notwithstanding the foregoing, where the public owner is other
38 than the city of New York and is a municipal corporation which requires
39 an elected official to approve progress payments, "promptly pay" shall
40 mean payment within forty-five days, excluding legal holidays, of
41 receipt of the requisition unless such requisition is not approvable in
42 accordance with the terms of the contract.

43 (b) Not later than forty-five business days after the date when the
44 project has reached substantial completion, the public owner shall
45 submit to the contractor a written list describing all remaining items
46 to be completed by the contractor. Not later than seven calendar days
47 after receiving a written list describing all remaining items to be
48 completed by the contractor, the contractor shall submit to each subcon-
49 tractor from whom the contractor is withholding retainage a written list
50 of all remaining items required to be completed by the subcontractor.
51 Such list may include items in addition to those items on the public
52 owner's list.

53 (c) Each public owner other than the city of New York which is
54 required to make a payment from public funds pursuant to a contract and
55 which does not make such contract payment by the required payment date
56 shall make an interest payment to the contractor on the amount of the

1 contract payment which is due unless failure to make such contract
2 payment is the result of a lien, attachment, or other legal process
3 against the money due said contractor, or unless the amount of the
4 interest payment as computed in accordance with the provisions set forth
5 hereinafter is less than ten dollars. Interest payments on amounts due
6 to a contractor pursuant to this paragraph shall be paid to the contrac-
7 tor for the period beginning on the day after the required payment date
8 and ending on the payment date for those payments required according to
9 this section and shall be paid at the rate of interest in effect on the
10 date when the interest payment is made. Notwithstanding any other
11 provision of law to the contrary, interest shall be computed at the rate
12 equal to the overpayment rate set by the commissioner of taxation and
13 finance pursuant to subsection (e) of section one thousand ninety-six of
14 the tax law. A pro rata share of such interest shall be paid by the
15 contractor or subcontractor, as the case may be, to subcontractors and
16 materialmen in a proportion equal to the percentage of their pro rata
17 share of the contract payment. Such pro rata share of interest shall be
18 due to such subcontractors and materialmen only for those payments which
19 are not paid to such subcontractors and materialmen prior to the date
20 upon which interest begins to accrue between the public owner and the
21 contractor. Such pro rata shares of interest shall be computed daily
22 until such payments are made to the subcontractors and materialmen.

23 ~~[(a)]~~ (d) For projects of a public owner other than the city of New
24 York, if state funds directly related to and which have been budgeted
25 for the construction of the project for which the payment is due have
26 not been received prior to the expiration of the thirty or forty-five
27 days specified in paragraph (a) of this subdivision, the interest
28 provided for in paragraph ~~[(b)]~~ (c) of this subdivision shall not begin
29 to accrue and payment shall not be due, until ten days after receipt of
30 the state funds. Nothing in this paragraph shall prevent the public
31 owner from approving the requisition, subject to receipt of the state
32 funds. State funds shall mean monies provided to the public owner by the
33 state, its officers, boards, departments, commissions, or a public
34 authority and public benefit corporation, a majority of the members of
35 which have been appointed by the governor or who serve as members by
36 virtue of holding a civil office of the state, or a combination thereof.

37 § 4. This act shall take effect immediately and shall apply to
38 contracts entered into on and after such effective date.