

STATE OF NEW YORK

6824

2021-2022 Regular Sessions

IN ASSEMBLY

April 8, 2021

Introduced by M. of A. BICHOTTE HERMELYN, HYNDMAN, SEAWRIGHT, WALKER, SOLAGES -- read once and referred to the Committee on Governmental Operations

AN ACT to amend the state finance law and the general municipal law, in relation to payment by public owners to contractors and subcontractors

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

Section 1. The opening paragraph and subdivisions 1 and 2 of section 139-f of the state finance law, the opening paragraph as added by chapter 769 of the laws of 1978, subdivision 1 as amended by chapter 341 of the laws of 2020 and subdivision 2 as amended by section 16 of part MM of chapter 57 of the laws of 2008, are amended to read as follows:

Notwithstanding the provisions of any other law to the contrary, except the provisions of section thirty-eight of the highway law, all contracts made and awarded by the state, or by any public department, or by any public benefit corporation or by any public corporation or official thereof, hereafter referred to as the public owner, for construction, reconstruction or alteration of any public work project shall provide for payment by the public owner to the contractor and ~~[payment by the contractor]~~ to the subcontractor or subcontractors in accordance with the following:

1. Payment by public owners to contractors. The contractor shall periodically, in accordance with the terms of the contract, submit to the public owner and/or his agent a requisition for a progress payment for the work performed and/or materials furnished to the date of the requisition by the contractor and all subcontractors, less any amount previously paid to the contractor or subcontractors. The public owner shall in accordance with the terms of the contract approve and promptly pay the requisition for the progress payment less an amount necessary to satisfy any claims, liens or judgments against the contractor or subcontractors which have not been suitably discharged and less any retained

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

LBD06229-01-1

1 amount as hereafter described. The public owner shall retain not more
2 than five per centum of each progress payment to the contractor and
3 subcontractors except that the public owner may retain in excess of five
4 per centum but not more than ten per centum of each progress payment to
5 the contractor provided that there are no requirements by the public
6 owner for the contractor to provide a performance bond and a labor and
7 material bond both in the full amount of the contract. The public owner
8 shall pay, upon requisition from the contractor, for materials pertinent
9 to the project which have been delivered to the site or off-site by the
10 contractor [~~and/or subcontractor~~] and suitably stored and secured as
11 required by the public owner and the contractor provided, the public
12 owner may limit such payment to materials in short and/or critical
13 supply and materials specially fabricated for the project each as
14 defined in the contract, including balances owed to subcontractors.
15 When the work or major portions thereof as contemplated by the terms of
16 the contract has reached substantial completion which, for the purposes
17 of this section, shall mean the state in the progress of the project
18 when the work required by the contract with the public owner is suffi-
19 ciently complete in accordance with the contract so that the public
20 owner may occupy or utilize the work for its intended use; provided
21 further, that "substantial completion" shall apply to the entire project
22 or a portion of the entire project if the contract with the public owner
23 provides for occupancy or use of a portion of the project, the contrac-
24 tor shall submit to the public owner and/or his agent a requisition for
25 payment of the remaining amount of the contract balance. Upon receipt of
26 such requisition the public owner shall approve and promptly pay the
27 remaining amount of the contract balance less two times the value of any
28 remaining items to be completed and an amount necessary to satisfy any
29 claims, liens or judgments against the contractor which have not been
30 suitably discharged. As the remaining items of work are satisfactorily
31 completed or corrected, the public owner shall promptly pay, upon
32 receipt of a requisition, for these remaining items less an amount
33 necessary to satisfy any claims, liens or judgments against the contrac-
34 tor which have not been suitably discharged. Any claims, liens and judg-
35 ments referred to in this section shall pertain to the project and shall
36 be filed in accordance with the terms of the applicable contract and/or
37 applicable laws.

38 2. Payment by [~~contractors~~] public owners to subcontractors. [~~Within~~
39 ~~seven calendar days of the receipt~~] (a) Each subcontractor shall period-
40 ically, in accordance with the terms of the contract, submit to the
41 public owner and/or his agent and to the contractor and/or his agent a
42 requisition for a progress payment for the work performed and/or materi-
43 als furnished to the date of the requisition, less any amount previously
44 paid to the contractor. At the time of any payment [~~from~~] by the public
45 owner[7] to the contractor as provided in subdivision one of this
46 section, the public owner shall pay each of [~~his~~] the subcontractors and
47 materialmen the proceeds from the payment representing the value of the
48 work performed and/or materials furnished by the subcontractor and/or
49 materialman and reflecting the percentage of the subcontractor's work
50 completed or the materialman's material supplied in the requisition
51 approved by the owner and based upon the actual value of the subcontract
52 or purchase order less an amount necessary to satisfy any claims, liens
53 or judgments against the subcontractor or materialman which have not
54 been suitably discharged and less any retained amount as hereafter
55 described. [~~Failure by the contractor to pay any subcontractor or mater-~~
56 ~~ialman within seven calendar days of the receipt of any payment from the~~

~~public owner shall result in the commencement and accrual of interest on amounts due to such subcontractor or materialman for the period beginning on the day immediately following the expiration of such seven calendar day period and ending on the date on which payment is made by the contractor to such subcontractor or materialman. Such interest payment shall be the sole responsibility of the contractor, and shall be paid at the rate of interest in effect on the date payment is made by the contractor. Notwithstanding any other provision of law to the contrary, interest shall be computed at the rate established in paragraph (b) of subdivision one of section seven hundred fifty-six b of the general business law. The contractor shall retain not more than five per centum of each payment to the subcontractor and/or materialman except that the contractor may retain in excess of five per centum but not more than ten per centum of each payment to the subcontractor provided that prior to entering into a subcontract with the contractor, the subcontractor is unable or unwilling to provide a performance bond and a labor and material bond, both in the full amount of the subcontract, at the request of the contractor. However, the contractor shall retain nothing from those payments representing proceeds owed the subcontractor and/or materialman from the public owner's payments to the contractor for the remaining amounts of the contract balance as provided in subdivision one of this section. If the contractor has failed to submit a requisition for payment of the remaining amounts of the contract balance within ninety days of substantial completion as provided in subdivision one of this section, then any clause in the subcontract between the contractor and the subcontractor or materialman which states that payment by the contractor to such subcontractor or materialman is contingent upon payment by the owner to the contractor shall be deemed invalid. Within seven calendar days of the receipt of payment from the contractor, the subcontractor and/or materialman shall pay each of his subcontractors and materialmen in the same manner as the contractor has paid the subcontractor, including interest as herein provided above. Nothing provided herein shall create any obligation on the part of the public owner to pay or to see to the payment of any moneys to any subcontractor or materialman from any contractor nor shall anything provided herein serve to create any relationship in contract or otherwise, implied or expressed, between the subcontractor or materialman and the public owner.]~~ The public owner shall retain not more than five per centum of each progress payment to the subcontractor except that the public owner may retain in excess of five per centum but not more than ten per centum of each progress payment to the subcontractor provided that there are no requirements by the public owner for the subcontractor to provide a performance bond and a labor and material bond both in the full amount of the contract. The public owner shall pay, upon requisition from the contractor as provided in subdivision one of this section, for materials pertinent to the project which have been delivered to the site or off-site by the subcontractor and suitably stored and secured as required by the public owner and the subcontractor provided, the public owner may limit such payment to materials in short and/or critical supply and materials specially fabricated for the project each as defined in the contract. When the work or major portions thereof as contemplated by the terms of the contract are substantially completed, the subcontractor shall submit to the contractor and/or his or her agent a requisition for payment of the remaining amount of the contract balance. The contractor shall submit a contract requisition containing all requisitions from subcontractors to the public owner. Upon receipt of such requisition the

1 public owner shall approve and promptly pay the remaining amount of the
2 contract balance less two times the value of any remaining items to be
3 completed and an amount necessary to satisfy any claims, liens or judg-
4 ments against the subcontractor which have not been suitably discharged.
5 As the remaining items of work are satisfactorily completed or
6 corrected, the public owner shall promptly pay, upon receipt of a requi-
7 sition, for these remaining items less an amount necessary to satisfy
8 any claims, liens or judgments against the subcontractor which have not
9 been suitably discharged. Any claims, liens and judgments referred to in
10 this section shall pertain to the project and shall be filed in accord-
11 ance with the terms of the applicable contract and/or applicable laws.

12 (b) As used in this section, "subcontractor" means only those subcon-
13 tractors that report directly to the main contractor with whom the
14 public owner has entered into the contract, and does not include subcon-
15 tractors of subcontractors.

16 § 2. The opening paragraph and subdivisions 1 and 2 of section 106-b
17 of the general municipal law, the opening paragraph as amended by chap-
18 ter 661 of the laws of 1992, subdivision 1 as amended by chapter 341 or
19 the laws of 2020, and subdivision 2 as amended by section 15 of part MM
20 of chapter 57 of the laws of 2008, are amended to read as follows:

21 Notwithstanding the provisions of any other law to the contrary, all
22 contracts made and awarded by the appropriate officer, board or agency
23 of a political subdivision or of any district therein, hereafter
24 referred to as the public owner, for construction, reconstruction or
25 alteration of any public work project shall provide for payment by the
26 public owner to the contractor and ~~payment by the contractor~~ to the
27 subcontractor or subcontractors in accordance with the following:

28 1. Payment by public owners to contractors. (a) The contractor shall
29 periodically, in accordance with the terms of the contract, submit to
30 the public owner and/or his agent a requisition for a progress payment
31 for the work performed and/or materials furnished to the date of the
32 requisition by the contractor and all subcontractors less any amount
33 previously paid to the contractor or subcontractors. The public owner
34 shall in accordance with the terms of the contract approve and promptly
35 pay the requisition for the progress payment less an amount necessary to
36 satisfy any claims, liens or judgments against the contractor or subcon-
37 tractors which have not been suitably discharged and less any retained
38 amount as hereafter described. The public owner shall retain not more
39 than five per centum of each progress payment to the contractor or
40 subcontractors except that the public owner may retain in excess of five
41 per centum but not more than ten per centum of each progress payment to
42 the contractor provided that there are no requirements by the public
43 owner for the contractor to provide a performance bond and a labor and
44 material bond both in the full amount of the contract. The public owner
45 shall pay, upon requisition from the contractor, for materials pertinent
46 to the project which have been delivered to the site or off-site by the
47 contractor ~~and/or subcontractor~~ and suitably stored and secured as
48 required by the public owner and the contractor provided, the public
49 owner may limit such payment to materials in short and/or critical
50 supply and materials specially fabricated for the project each as
51 defined in the contract. When the work or major portions thereof as
52 contemplated by the terms of the contract has reached substantial
53 completion which, for the purposes of this section, shall mean, for
54 public owners other than school districts and boards of cooperative
55 educational services, the state in the progress of the project when the
56 work required by the contract with the public owner is sufficiently

1 complete in accordance with the contract so that the public owner may
2 occupy or utilize the work for its intended use and shall mean, for
3 school districts and boards of cooperative educational services, is the
4 date the partial or final certificate of substantial completion of the
5 project which is the date certified by the architect or engineer when
6 the construction is code compliant and substantially complete in accord-
7 ance with the contract documents so the school district can occupy or
8 utilize the project or portion thereof for its intended use, the
9 contractor shall submit to the public owner and/or his agent a requisition for payment of the remaining amount of the contract balance,
10 including balances owed to subcontractors. Upon receipt of such requisition the public owner shall approve and promptly pay the remaining
11 amount of the contract balance less two times the value of any remaining
12 items to be completed and an amount necessary to satisfy any claims,
13 liens or judgments against the contractor which have not been suitably
14 discharged. As the remaining items of work are satisfactorily completed
15 or corrected, the public owner shall promptly pay, upon receipt of a
16 requisition, for these items less an amount necessary to satisfy any
17 claims, liens or judgments against the contractor which have not been
18 suitably discharged. Any claims, liens and judgments referred to in this
19 section shall pertain to the project and shall be filed in accordance
20 with the terms of the applicable contract and/or applicable laws. Where
21 the public owner is other than the city of New York, the term "promptly
22 pay" shall mean payment within thirty days, excluding legal holidays, of
23 receipt of the requisition unless such requisition is not approvable in
24 accordance with the terms of the contract. Notwithstanding the forego-
25 ing, where the public owner is other than the city of New York and is a
26 municipal corporation which requires an elected official to approve
27 progress payments, "promptly pay" shall mean payment within forty-five
28 days, excluding legal holidays, of receipt of the requisition unless
29 such requisition is not approvable in accordance with the terms of the
30 contract.

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

41 (c) Each public owner other than the city of New York which is
42 required to make a payment from public funds pursuant to a contract and
43 which does not make such contract payment by the required payment date
44 shall make an interest payment to the contractor on the amount of the
45 contract payment which is due unless failure to make such contract
46 payment is the result of a lien, attachment, or other legal process
47 against the money due said contractor, or unless the amount of the
48 interest payment as computed in accordance with the provisions set forth
49 hereinafter is less than ten dollars. Interest payments on amounts due
50 to a contractor pursuant to this paragraph shall be paid to the contrac-
51 tor for the period beginning on the day after the required payment date
52 and ending on the payment date for those payments required according to
53 this section and shall be paid at the rate of interest in effect on the
54 date when the interest payment is made. Notwithstanding any other
55

1 provision of law to the contrary, interest shall be computed at the rate
2 equal to the overpayment rate set by the commissioner of taxation and
3 finance pursuant to subsection (e) of section one thousand ninety-six of
4 the tax law. A pro rata share of such interest shall be paid by the
5 contractor or subcontractor, as the case may be, to subcontractors and
6 materialmen in a proportion equal to the percentage of their pro rata
7 share of the contract payment. Such pro rata share of interest shall be
8 due to such subcontractors and materialmen only for those payments which
9 are not paid to such subcontractors and materialmen prior to the date
10 upon which interest begins to accrue between the public owner and the
11 contractor. Such pro rata shares of interest shall be computed daily
12 until such payments are made to the subcontractors and materialmen.

13 (d) For projects of a public owner other than the city of New York, if
14 state funds directly related to and which have been budgeted for the
15 construction of the project for which the payment is due have not been
16 received prior to the expiration of the thirty or forty-five days speci-
17 fied in paragraph (a) of this subdivision, the interest provided for in
18 paragraph (c) of this subdivision shall not begin to accrue and payment
19 shall not be due, until ten days after receipt of the state funds. Noth-
20 ing in this paragraph shall prevent the public owner from approving the
21 requisition, subject to receipt of the state funds. State funds shall
22 mean monies provided to the public owner by the state, its officers,
23 boards, departments, commissions, or a public authority and public bene-
24 fit corporation, a majority of the members of which have been appointed
25 by the governor or who serve as members by virtue of holding a civil
26 office of the state, or a combination thereof.

27 2. Payment by ~~[contractors]~~ public owners to subcontractors. ~~[Within~~
28 ~~seven calendar days of the receipt]~~ (a) Each subcontractor shall period-
29 ically, in accordance with the terms of the contract, submit to the
30 public owner and/or his agent and to the contractor and/or his agent a
31 requisition for a progress payment for the work performed and/or materi-
32 als furnished to the date of the requisition, less any amount previously
33 paid to the contractor. At the time of any payment [from] by the public
34 owner[.] to the contractor as provided in subdivision one of this
35 section, the public owner shall pay each of ~~[his]~~ the subcontractors and
36 materialman the proceeds from the payment representing the value of the
37 work performed and/or materials furnished by the subcontractor and/or
38 materialmen and reflecting the percentage of the subcontractor's work
39 completed or the materialmen's material supplied in the requisition
40 approved by the owner and based upon the actual value of the subcontract
41 or purchase order less an amount necessary to satisfy any claims, liens
42 or judgments against the subcontractor or materialman which have not
43 been suitably discharged and less any retained amount as hereafter
44 described. ~~[Failure by the contractor to make any payment, including any~~
45 ~~remaining amounts of the contract balance as hereinafter described, to~~
46 ~~any subcontractor or materialman within seven calendar days of the~~
47 ~~receipt of any payment from the public owner shall result in the~~
48 ~~commencement and accrual of interest on amounts due to such subcontrac-~~
49 ~~tor or materialman for the period beginning on the day immediately~~
50 ~~following the expiration of such seven calendar day period and ending on~~
51 ~~the date on which payment is made by the contractor to such subcontrac-~~
52 ~~tor or materialman. Such interest shall be the sole responsibility of~~
53 ~~the contractor, and shall be paid at the rate of interest in effect on~~
54 ~~the date payment is made by the contractor. Notwithstanding any other~~
55 ~~provision of law to the contrary, interest shall be computed at the rate~~
56 ~~established in paragraph (b) of subdivision one of section seven hundred~~

~~fifty-six b of the general business law. The contractor shall retain not more than five per centum of each payment to the subcontractor and/or materialman except that the contractor may retain in excess of five per centum but not more than ten per centum of each payment to the subcontractor provided that prior to entering into a subcontract with the contractor, the subcontractor is unable or unwilling to provide a performance bond and a labor and material bond both in the full amount of the subcontract at the request of the contractor. However, the contractor shall retain nothing from those payments representing proceeds owed the subcontractor and/or materialman from the public owner's payments to the contractor for the remaining amounts of the contract balance as provided in subdivision one of this section. If the contractor has failed to submit a requisition for payment of the remaining amounts of the contract balance within ninety days of substantial completion as provided in subdivision one of this section, then any clause in the subcontract between the contractor and the subcontractor or materialman which states that payment by the contractor to such subcontractor or materialman is contingent upon payment by the owner to the contractor shall be deemed invalid. Within seven calendar days of the receipt of payment from the contractor, the subcontractor and/or materialman shall pay each of his subcontractors and materialmen in the same manner as the contractor has paid the subcontractor, including interest as herein provided above. Nothing provided herein shall create any obligation on the part of the public owner to pay or to see to the payment of any moneys to any subcontractor or materialman from any contractor nor shall anything provided herein serve to create any relationship in contract or otherwise, implied or expressed, between the subcontractor or materialman and the public owner.]~~ The public owner shall retain not more than five per centum of each progress payment to the subcontractor except that the public owner may retain in excess of five per centum but not more than ten per centum of each progress payment to the subcontractor provided that there are no requirements by the public owner for the subcontractor to provide a performance bond and a labor and material bond both in the full amount of the contract. The public owner shall pay, upon requisition from the contractor as provided in subdivision one of this section, for materials pertinent to the project which have been delivered to the site or off-site by the subcontractor and suitably stored and secured as required by the public owner and the subcontractor provided, the public owner may limit such payment to materials in short and/or critical supply and materials specially fabricated for the project each as defined in the contract. When the work or major portions thereof as contemplated by the terms of the contract are substantially completed, the subcontractor shall submit to the contractor and/or his or her agent a requisition for payment of the remaining amount of the contract balance. The contractor shall submit a contract requisition containing all requisitions from subcontractors to the public owner. Upon receipt of such requisition the public owner shall approve and promptly pay the remaining amount of the contract balance less two times the value of any remaining items to be completed and an amount necessary to satisfy any claims, liens or judgments against the subcontractor which have not been suitably discharged. As the remaining items of work are satisfactorily completed or corrected, the public owner shall promptly pay, upon receipt of a requisition, for these remaining items less an amount necessary to satisfy any claims, liens or judgments against the subcontractor which have not been suitably discharged. Any claims, liens and judgments referred to in this

1 section shall pertain to the project and shall be filed in accordance
2 with the terms of the applicable contract and/or applicable laws.

3 (b) As used in this section, "subcontractor" means only those subcon-
4 tractors that report directly to the main contractor with whom the
5 public owner has entered into the contract, and does not include subcon-
6 tractors of subcontractors.

7 § 3. This act shall take effect immediately. Effective immediately
8 the addition, amendment and/or repeal of any rule or regulation neces-
9 sary for the implementation of this act on its effective date are
10 authorized to be made on or before such date.