

HB 3264 A STAFF MEASURE SUMMARY

Carrier: Sen. Prozanski

Senate Committee On General Government and Accountability

Action Date: 05/17/17
Action: Do pass the A-Eng bill.
Vote: 4-1-0-0
Yeas: 4 - Hass, Prozanski, Riley, Thatcher
Nays: 1 - DeBoer
Fiscal: Has minimal fiscal impact
Revenue: No revenue impact
Prepared By: C. Ross, LPRO Analyst

WHAT THE MEASURE DOES:

Requires Oregon Department of Transportation to administer pilot program requiring prompt payment to businesses with up to 50 employees on contracts executed on or after January 1, 2018, and invoices received before June 30, 2019, for architectural, engineering and related services. Requires report by March 31, 2019. Sunsets January 2, 2020. Takes effect on 91st day following adjournment *sine die*.

ISSUES DISCUSSED:

- Small business cash flow needs to maintain operations
- Government reputation for delayed payment on contracts that require effort to collect
- Agency commitment to satisfy terms of measure

EFFECT OF AMENDMENT:

No amendment.

BACKGROUND:

When a state agency contracts for work on a public improvement project, such as a construction project, it must make monthly payments on the contract as work progresses, including interest. Interest begins 30 days after an agency receives a contractor's invoice or 15 days after the agency approves payment, whichever is earlier. The rate of interest charged on the amount due is three times the discount rate on 90-day commercial paper, but may not exceed 30 percent. There is currently no prompt pay requirement for state procurement of goods and services; a typical prompt pay requirement imposes a financial penalty for failure to pay within a specified time frame.

House Bill 3264A establishes a pilot program that implements a prompt pay requirement for businesses with no more than 50 employees under contract with the Oregon Department of Transportation (ODOT) for engineering, architectural or related services: if ODOT fails to pay such businesses within 15 days of the payment due date or of receiving an invoice, interest of 1.5 percent per month accrues on the amount due.