



Senate Fiscal Agency
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BILL ANALYSIS



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House Bill 4713 (Substitute H-2 as passed by the House)
Sponsor: Representative Harold S. Voorhees
House Committee: Commerce
Senate Committee: Local, Urban and State Affairs

Date Completed: 3-6-96

CONTENT

The bill would amend Public Act 279 of 1984, which provides for prompt payment by executive departments to private enterprises, to require the Michigan Department of Transportation to ensure that payment for a construction project was made within 45 days after completion; require executive departments to pay an additional amount on construction contracts that were past due; and prohibit the State from contracting for, or allowing a subcontract for, services provided by a convicted felon.

Under the Act, unless otherwise agreed in writing, a principal executive department must take all steps necessary to assure that payment for goods or services is mailed to a private enterprise within 45 days after the department receives the goods or services, a complete invoice for them, or a complete contract for goods or services, whichever is later. Subject to certain exceptions, if a payment owed by a department to a private enterprise for goods or services is past due, the department must pay an additional amount equal to 0.75% of the payment to the private enterprise. "Private enterprise" means a business that provides goods or services and that is not a governmental entity. The bill would include in the definition a business providing "certain construction", and would require that the additional amount be paid on past due payments owed to a private enterprise for construction.

The bill also provides that, unless otherwise agreed to in writing, the Transportation Department would have to take all steps necessary to assure that payment for a construction project awarded by the Department was mailed to a private enterprise within 45 days after the date the Department had determined that the project was completed or within 45 days after the scheduled completion date of the project, adjusted for any approved extensions of time, whichever was earlier. This would not apply if payment were delayed because of a good faith disagreement between the Department and a private enterprise, unless the disagreement were resolved in favor of the private enterprise.

The bill would apply to contracts for construction awarded by the Transportation Department after June 30, 1996.

MCL 17.51 et al.

Legislative Analyst: S. Margules

FISCAL IMPACT

The impact on the State would depend on the amount of payments that were retained past the time limits set in this bill. Based on past practice by the Department of Transportation, the penalties in the bill could cost the State \$125,000 annually. The bill also would affect other construction contracts entered into by the State, to the extent that final payment exceeded the 45-day limit.

Fiscal Analyst: B. Bowerman

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.