

LB 552- The Nebraska Construction Prompt Pay Act Passed on Final Reading February 5th

The bill now awaits the Governor's signature to become law for all construction contracts entered into on or after October 1, 2010. This has been a top priority bill for the Chapter for the past two sessions. Over two years ago the Building Chapter, NECA, MCA-Omaha and the Heavy Highway Chapter, along with our legal counsel from Woods & Aitken LLP started working on the language for this bill. After many drafts, reviewed by members from all the groups, we came to agreement on the language for the bill. Sen. Tom White introduced the bill last session and it had first round debate late in January.

Very briefly, here is what the bill brings to the table for the industry:

- 1.) It specifies a 30-day payment cycle from receipt of invoice. When a contractor has performed work in accordance with the provisions of a contract with an owner, the owner will pay contractor within 30 days after receipt of payment request. When a subcontractor has performed work in accordance with the provision of a subcontract and all conditions precedent to payment contained in the subcontract have been satisfied, the contractor will pay the subcontractor, and the subcontractor will pay his subcontractors within 10 days. Even though through negotiations between first and second round of debate the University and State Colleges were moved out of LB 552, we have established a 30-day payment cycle for other political sub-divisions and private clients.
2. The political subdivisions and private clients will pay interest of 1% per month on unpaid amounts after 30 days.
3. It leaves the state claims process (which has not been an historical problem) in place, while giving us a claim process for political subdivisions. The University and State Colleges are amended into the current Prompt Pay Act which specifies a 45-day payment cycle.
4. The bill provides for some clarification and simplification of filing claims, etc.
5. Ultimately, the bill provides that all construction, with the exception of state road construction, is covered by either the existing Prompt Pay Act or the Nebraska Construction Prompt Pay Act.

In the next week or so a more detailed article will be provided on the ramifications of the passing of this bill. In the meantime here is the link to the entire bill:

<http://www.nebraskalegislature.gov/FloorDocs/Current/PDF/Final/LB552.pdf>