



NATIONAL ELECTRICAL CONTRACTORS ASSOCIATION

Contra Costa Chapter • 1024 Court Street • Martinez, California 94553-1733
TEL.: (925) 372-3222 • FAX: (925) 372-0282

June 20, 2016

The Honorable Hannah-Beth Jackson
Chair, Senate Judiciary Committee
California State Senate
State Capitol, Room 2032
Sacramento, CA 95814

RE: AB 626 (Chiu & Low) - Public contracts: claims – Support

Dear Senator Jackson:

On behalf of Contra Costa Chapter, NECA, I am pleased to make you aware of our support of AB 626 relating to payment on public works projects.

Under current law, California's public agencies have absolutely no incentive or requirement to pay contractors in a timely manner for extra work performed on public works contracts even when that work was requested by the owner and subsequently performed by the contractor in good faith. In fact, contractors who perform extra work put themselves at great financial risk. CA Public Works Contractors often have to wait months, and in some cases up to years, for payment for work. Contractors who perform this work to the benefit of the public agency must still pay for their construction materials, employee wages and benefits and their overhead. Not being compensated in a timely manner can result in a contractor being forced to reduce capacity, or worse, close their business. Contractors who bid and perform the vital infrastructure work of our state should not have to worry about when or if they will get paid for work that a public agency requested and approved.

There are substantial laws in place that protect agencies from having to pay for any unfair or unjust claims made by a contractor. Conversely, there is no law in place to require agencies to pay for legitimate claims made by contractors for work performed and approved by the agency. Even when it's for money the public agency acknowledges that they owe the contractor. This double standard places an unfair burden on the contractor and has resulted in unacceptable delays in payments to contractors throughout the state. In addition, the current law allows an agency to leverage the money owed to the contractor, forcing them to accept less money for the work performed. This is not an acceptable business environment for our state's public works contractors.

AB 626 establishes a pilot program to provide California public works contractors an avenue to pursue prompt payment for extra work performed that is fair and protects taxpayers. The bill puts a process in place that requires agencies to respond to a contractors claim timely, requires the agency to pay out portions of the work they acknowledge/agree they owe the contractor promptly, and implements a fair process for resolving any disputed portions of payment.

For these reasons, we are in support of AB 626 and urge your "aye" vote on this important measure. Should you have any questions regarding our position, please do not hesitate to contact our office.

Sincerely,

CONTRA COSTA CHAPTER, NECA



Michael Geller
Manager

cc: Assembly Members Chiu & Low
Honorable Members, Senate Judiciary Committee
Margie Estrada, Chief Consultant, Senate Judiciary Committee