

Sept-01-06 Governor Corzine Signs Prompt Construction Payment Legislation

FOR IMMEDIATE RELEASE

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GOVERNOR CORZINE SIGNS PROMPT CONSTRUCTION PAYMENT LEGISLATION

CHERRY HILL – Governor Jon S. Corzine today signed legislation creating a standardized process for prompt payment of construction contracts to prime contractors. The new law applies to contractors and construction projects at all levels of government as well as the private sector.

“When project funds flow promptly, bottlenecks are eliminated, projects run smoothly and everyone, from sub-contractors to laborers, gets paid on time,” said Governor Corzine, who signed the legislation at the Peter J. McGuire Labor Day Observance in Cherry Hill. “This legislation will level the playing field and hold project owners to the same responsibilities and penalties that we require of contractors and subcontractors.”

The legislation requires that the contractor receive payment within 30 days of the billing date provided that the contractor meets the terms of the agreed upon construction contract and the billing meets the approval of the owner. If the owner does not make payment within the 30-day time frame, the legislation holds them to be liable for the remaining balance plus interest at a rate equal to the prime rate plus one percent.

Previously, the law only applied to contractors and subcontractors and did not hold project owners responsible for late payments or late payment interest penalties.

The legislation (S-1726/A-3174) was sponsored in the Senate by Stephen M. Sweeney and Fred H. Madden, and in the Assembly by Wilfredo Caraballo, Bonnie Watson Coleman, Joseph V. Egan, Neil M. Cohen and Thomas P. Giblin.

"This bill establishes specific guidelines for the payment of construction projects. All too often, contractors and construction companies are kept waiting for months on end to receive payment for their labor," said Senator Sweeney (D-Gloucester, Cumberland and Salem). "The 30-day period from the presentation of the bill to its payment is designed to help cut out much of the red tape that is so often associated with construction projects, while allowing property owners to question any items on their bill that they don't understand or don't agree with."

"Simple fairness requires that the men and women who help build a better New Jersey receive timely payment for their labor," said Assemblyman Caraballo (D-Essex). "Small business owners and subcontractors should never have to close their shops because they go unpaid. Families should never fear that they will be unable to pay bills or put food on the table because promised wages are being held."