

HOUSE RESEARCH

Bill Summary

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Subject: Payments to construction subcontractors and material suppliers
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Overview

This bill requires prompt payment of subcontractors and material suppliers on residential construction projects.

Section

- Prompt payment to subcontractors.** The existing law being amended here requires prompt payment of subcontractors and material suppliers by the prime contractor and other subcontractors, but it excludes residential construction. This bill strikes the language excluding residential construction.

The existing law defines “residential” as a building designed for one-to-four living units, or a development consisting of attached single-family units with fewer than 13 units per structure.

Prompt payment under this existing law means paying within ten days, with an interest penalty of 1.5 percent per month for nonpayment of undisputed amounts within that time period. This bill does not change that.
- Progress payments and retainages.** Consistent with section 1, eliminates the exclusion of residential construction from an existing law requiring prompt payment of progress payments, subject to the right of the owner to reserve retainage. This existing law applies only if the construction contract does not provide otherwise, and this section does not change that.