
Capital Budget Committee

HB 1950

Brief Description: Requiring subcontractors on public works contracts to be indemnified for certain expenses incurred as a result of late payments from a contractor or a subcontractor.

Sponsors: Representatives Entenman, Ramel, Pollet, Reed and Hill.

Brief Summary of Bill

- Requires that, for certain subcontractors in public works projects, if the subcontractor is unable to timely make required contributions to certain employee benefit plans due to a contractor's or subcontractor's failure to timely pay the subcontractor, the contractor or subcontractor that failed to timely pay the subcontractor must promptly indemnify the subcontractor for any penalties associated with the subcontractor's failure to timely contribute to the employee benefit plans.

Hearing Date: 2/20/25

Staff: Robert Hatfield (786-7117).

Background:

Office of Minority and Women's Business Enterprises.

The Office of Minority and Women's Business Enterprises (OMWBE) was created to provide minority- and women-owned and controlled businesses with the maximum practicable opportunity for increased participation in public works contracts and public contracts for goods and services. The OMWBE is the sole authority in Washington for certifying minority- and women-owned business enterprises. Certified business enterprises are listed in the OMWBE database. Cities, counties, state agencies, transportation, and educational institutions use the database to source small and diverse firms for potential contracting opportunities. Among other

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duties, the OMWBE must identify barriers to equal participation by qualified businesses in all state agency and educational contracts, and the OMWBE must establish annual participation goals by qualified businesses for each state agency and educational institution.

Public Works Projects—Prompt Payment.

When a contractor or subcontractor is paid for work performed on a public works project, they must pay subcontractors no later than ten days after receipt of payment. In the event of a good faith dispute over all or any portion of the amount due from the state or municipality to the prime contractor, or from the prime contractor or subcontractor to a subcontractor, then the state, municipality, prime contractor or subcontractor may withhold no more than 150 percent of the disputed amount. Anyone whose funds have been withheld in violation of law are entitled to receive interest at the highest rate allowed by statute for every month of nonpayment from the person wrongfully withholding the funds.

Taft-Hartley Trust.

A Taft-Hartley trust is a multi-employer trust created by a collective bargaining agreement. The purpose of such a trust is to provide benefits to union members, including retirement benefits and health benefits.

Summary of Bill:

For projects governed by Washington's public works contracting laws, if a subcontractor that is certified by the Office of Minority and Women's Business Enterprises is unable to timely make any required employer contributions to a Taft-Hartley trust (trust) due to a contractor or subcontractor violating the requirements to timely pay subcontractors on public works projects, the contractor or subcontractor that failed to timely pay the subcontractor must promptly indemnify the subcontractor that was unable to make the contributions to the trust for any fees or other penalties associated with the subcontractor's failure to make timely contributions to the trust.

Appropriation: None.

Fiscal Note: Requested on February 14, 2025.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.