

# SENATE BILL No. 847

April 2, 1992, Introduced by Senator HOLMES and referred to the Committee on State Affairs and Military/Veteran Affairs.

A bill to require prime contractors on state contracts to pay their subcontractors within a specified time; to prescribe the duties and powers of certain state agencies and officials; and to provide for penalties.

## THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1       Sec. 1. As used in this act:

2       (a) "Department" means the department of management and  
3 budget.

4       (b) "Prime contractor" means a contractor awarded a state  
5 contract and who receives payments from the state for performance  
6 on the contract.

7       (c) "Subcontractor" means a contractor who enters into a  
8 contract with a prime contractor to perform parts of the state  
9 contract awarded to the prime contractor and who receives payment  
10 for performance from the prime contractor.

1       Sec. 2. A prime contractor awarded a state contract on a  
2 construction project or for the procurement of goods or services  
3 shall pay all subcontractors within 90 days from the date the  
4 subcontractor completes performance or 30 days from the date the  
5 prime contractor is paid by the state for the work performed by  
6 the subcontractor, whichever is later.

7       Sec. 3. This act shall not be construed to impair any legal  
8 or contractual rights or defenses a prime contractor may have  
9 against the subcontractor.

10       Sec. 4. (1) A subcontractor who believes his or her rights  
11 under this act have been violated may apply to the department for  
12 a review.

13       (2) If the department finds that a prime contractor has vio-  
14 lated this act, the prime contractor may be prohibited from bid-  
15 ding and being awarded a state contract for a period of not more  
16 than 5 years.

17       (3) The department shall promulgate rules to implement this  
18 section pursuant to the administrative procedures act of 1969,  
19 Act No. 306 of the Public Acts of 1969, being sections 24.201 to  
20 24.328 of the Michigan Compiled Laws.