ACT #2014-404

1 HB24

2 154751-10

3 By Representative Roberts

4 RFD: Transportation, Utilities and Infrastructure

5 First Read: 14-JAN-14

6 PFD: 10/02/2013



ENROLLED, An Act,

To amend Section 39-2-2, Code of Alabama 1975, and Section 39-2-12, Code of Alabama 1975, relating to public works contracts; to require pre-bid meetings to be held at least seven days prior to bid opening; to prohibit the modification of specifications within 24 hours of the opening of a bid; to reduce the timeframe for payment of completed work; to remove the provision in current law that provides that the prompt payment provisions will not apply until an awarding authority is in receipt of funds as provided in the contract; to provide for the review and approval of the progress of completed work; to provide procedures for the dispute of a submitted invoice; and to provide for the alteration of contract terms upon the discovery of certain material changes in the property where work is to be performed.

BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

Section 1. Section 39-2-2, Code of Alabama 1975, and Section 39-2-12, Code of Alabama 1975, are amended to read as follows:

"§39-2-2.

"(a) Before entering into any contract for a public works involving an amount in excess of fifty thousand dollars (\$50,000), the awarding authority shall advertise for sealed

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bids. If the awarding authority is the state or a county, or an instrumentality thereof, it shall advertise for sealed bids at least once each week for three consecutive weeks in a newspaper of general circulation in the county or counties in which the improvement or some part thereof, is to be made. If 5 the awarding authority is a municipality, or an 6 instrumentality thereof, it shall advertise for sealed bids at 7 least once in a newspaper of general circulation published in 8 the municipality where the awarding authority is located. If 9 no newspaper is published in the municipality, the awarding 10 authority shall advertise by posting notice thereof on a 11 bulletin board maintained outside the purchasing office and in 12 any other manner and for the length of time as may be 13 determined. In addition to bulletin board notice, sealed bids 14 shall also be solicited by sending notice by mail to all 15 persons who have filed a request in writing with the official 16 designated by the awarding authority that they be listed for 17 solicitation on bids for the public works contracts indicated 18 in the request. If any person whose name is listed fails to 19 respond to any solicitation for bids after the receipt of 20 three such solicitations, the listing may be canceled. With 21 the exception of the Department of Transportation, for all 22 public works contracts involving an estimated amount in excess 23 of five hundred thousand dollars (\$500,000), awarding 24 authorities shall also advertise for sealed bids at least once 25

1	in three newspapers of general circulation throughout the
2	state. The advertisements shall briefly describe the
3	improvement, state that plans and specifications for the
4	improvement are on file for examination in a designated office
5	of the awarding authority, state the procedure for obtaining
6	plans and specifications, state the time and place in which
7	bids shall be received and opened, and identify whether
8	prequalification is required and where all written
9	prequalification information is available for review. All bids
10	shall be opened publicly at the advertised time and place. No
11	public work as defined in this chapter involving a sum in
12	excess of fifty thousand dollars (\$50,000) shall be split into
13	parts involving sums of fifty thousand dollars (\$50,000) or
14	less for the purpose of evading the requirements of this
15	section.
	<u> </u>

"(b) An awarding authority may let contracts for public works involving fifty thousand dollars (\$50,000) or less with or without advertising or sealed bids.

- "(c) All contracts for public works entered into in violation of this title shall be null, void, and violative of public policy. Anyone who willfully violates this article concerning public works shall be guilty of a Class C felony.
- "(d) Excluded from the operation of this title shall be contracts with persons who shall perform only architectural, engineering, construction management, program

management, or project management services in support of the public works and who shall not engage in actual construction, repair, renovation, or maintenance of the public works with their own forces, by contract, subcontract, purchase order, lease, or otherwise.

- "(e) In case of an emergency affecting public health, safety, or convenience, as declared in writing by the awarding authority, setting forth the nature of the danger to the public health, safety, or convenience which would result from delay, contracts may be let to the extent necessary to meet the emergency without public advertisement. The action and the reasons for the action taken shall immediately be made public by the awarding authority upon request.
- "(f) No awarding authority may specify in the plans and specifications for the improvement the use of materials, products, systems, or services by a sole source unless all of the following requirements are met:
- "(1) Except for contracts involving the construction, reconstruction, renovation, or replacement of public roads, bridges, and water and sewer facilities, the awarding authority can document to the satisfaction of the State Building Commission that the sole source product, material, system, or service is of an indispensable nature for the improvement, that there are no other viable alternatives,

L	and that	only t	this p	particular	product,	materia	l, system,	or
2	service	fulfil	ls th	e function	for whic	h it is	needed.	

- "(2) The sole source specification has been recommended by the architect or engineer of record as an indispensable item for which there is no other viable alternative.
- "(3) All information substantiating the use of a sole source specification, including the recommendation of the architect or engineer of record, shall be documented and made available for examination in the office of the awarding authority at the time of advertisement for sealed bids.
- "(g) In the event of a proposed public works project, acknowledged in writing by the Alabama Homeland Security Department as (1) having a direct impact on the security or safety of persons or facilities and (2) requiring confidential handling for the protection of such persons or facilities, contracts may be let without public advertisement but with the taking of informal bids otherwise consistent with the requirements of this title and the requirements of maintaining confidentiality. Records of bidding and award shall not be disclosed to the public, and shall remain confidential.
- "(h) If a pre-bid meeting is held, the pre-bid meeting shall be held at least seven days prior to the bid

1	opening except when the project has been declared an emergency
2	in accordance with subsection (e).
3	"(i) Specifications for a proposed public works
4	project may not be modified within 24 hours of the bid
5	opening.
6	(i) The awarding authority may not offer a contract
7	for bidding unless confirmation of any applicable grant has
8	been received and any required matching funds have been
9	secured by or are available to the awarding authority.
10	"§39-2-12.
11	"(a) As used in this section the following words
12	shall have the meanings ascribed to them as follows:
13	"(1) CONTRACTOR. Any natural person, partnership,
14	company, firm, corporation, association, limited liability
15	company, cooperative, or other legal entity licensed by the
16	Alabama State Licensing Board for General Contractors.
17	"(2) NONRESIDENT CONTRACTOR. A contractor which is
18	neither a. organized and existing under the laws of the State
19	of Alabama, nor b. maintains its principal place of business
20	in the State of Alabama. A nonresident contractor which has
21	maintained a permanent branch office within the State of
22	Alabama for at least five continuous years shall not
23	thereafter be deemed to be a nonresident contractor so long as
24	the contractor continues to maintain a branch office within
25	Alabama.

"(3) RETAINAGE. That money belonging to the contractor which has been retained by the awarding authority conditioned on final completion and acceptance of all work in connection with a project or projects by the contractor.

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"(b)(1) Unless otherwise provided in the specifications, partial payments shall be made as the work progresses at the end of each calendar month, but in no case later than 45 35 days after the acceptance by the acceptance by the awarding authority designee has signed the pay authorization which recognizes that the estimate and terms of the contract providing for partial payments have been fulfilled. The contract between the contractor and the awarding authority shall designate a person to review the progress of completed work. The designated person shall review completed work within 10 days and then submit the invoice to the awarding authority for payment. In the event of an error or dispute, the designated person shall submit, within 10 days from the completion of the work; in writing to the contractor the reason for the disapproval of the invoice and specify procedures for dispute resolution of the submitted invoice. work and to review documents submitted by the contractor as provided in this section. Except as otherwise provided for the Department of Transportation, the designated person, within 10 days, shall review the submission and respond in writing to accept or forward, as provided in this subsection, a request

1	for payment. For contracts involving the Department of
2	Transportation, the time frame for review and response shall
3	be 20 days. In the event of an error in the submission or a
4	dispute regarding compliance with the provisions of the
5	contract, the error or dispute shall be disclosed in writing
6	to the contractor within 10 days and, after corrective actions
7	are taken, the invoice may be resubmitted and shall be
8	addressed as provided in this section; provided that for
9	contracts involving the Department of Transportation, the time
10	frame for review and response shall be 20 days. In the absence
11	of error or dispute, the awarding authority shall proceed
12	within 10 days as follows for payment of the invoice:
13	"a. For contracts subject to subsection (1), the
14	awarding authority shall forward the request for payment to
15	the entity or agency that is the source of funding to be used
16	by the contractor.
17	"b. For contracts not subject to subsection (1), the
18	payment shall be made by the contracting agency in accordance
19	with the payment requirements and deadlines established in
20	this section.
21	(2) In preparing estimates, the material delivered
22	on the site, materials suitably stored and insured off-site,
23	and preparatory work done may be taken into consideration. If
24	the amount due by the awarding authority is not in dispute and
25	the amount payable is not paid within the above 45-day 35-day

period, the contractor to whom payment is due shall also be entitled to interest from the awarding authority at the rate assessed for underpayment of taxes under Section 40-1-44(a), on the unpaid balance due. Any agreement to increase the 45-day 35-day period for payment after the execution of the contract is not enforceable. Interest payments shall not be due on payments made after the 45-day 35-day period because of administrative or processing delays at the close of the fiscal year or delays resulting from official and announced closures by the awarding authority. The provisions in this subsection shall not apply to contracts administered by the Alabama Building Commission, regardless of the source of the funds to be utilized to fulfill the awarding authority's obligation under the contract.

"(c) In making the partial payments, there shall be retained not more than five percent of the estimated amount of work done and the value of materials stored on the site or suitably stored and insured off-site, and after 50 percent completion has been accomplished, no further retainage shall be withheld. The retainage as set out above shall be held until final completion and acceptance of all work covered by the contract unless the escrow or deposit arrangement described in subsections (f) and (g) is utilized. Provided, however, no retainage shall be withheld on contracts entered into by the Alabama Department of Transportation for the

construction or maintenance of public highways, bridges, or roads.

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"(d) In addition to other requirements, a nonresident contractor shall satisfy the awarding authority that he or she has paid all taxes due and payable to the State of Alabama or any political subdivision thereof prior to receiving final payment for contract work. When maintenance periods are included in the contract covering highways and bridges or similar structures, the periods shall be considered a component part of the contract. On completion and acceptance of each separate building, public work, or other division of the contract on which a price is stated separately in the contract or can be separately ascertained, payment may be made in full, including the retained percentage thereof, less authorized deductions. Nothing in this section shall be interpreted to require the awarding authority to make full payment on an item of work when the item of work is an integral part of a complete improvement.

"(e) In lieu of the retained amounts provided for in subsection (c) of this section, the awarding authority may provide in the specifications or contracts an alternate procedure for the maintenance of an escrow account as provided in subsection (f) or the depositing of security as provided in subsection (g).

1	"(f) An	escrow account,	established	pursuant to an
2	escrow agreement,	shall be entered	d into only	on the following
3	conditions:			

- "(1) If the contractor shall have entered into more than one construction contract allowing for the maintenance of escrow accounts, the contractor may elect to combine the amounts held in lieu of retainage under each contract into one or more escrow accounts or may elect to establish a separate escrow account for each contract.
- "(2) Only state or national banks chartered within the State of Alabama or savings and loan associations domiciled in the State of Alabama may serve as an escrow agent.
- "(3) The escrow agent must limit the investment of funds held in escrow in lieu of retained amounts provided for in subsection (c) of this section to savings accounts, certificates of deposit or similar time deposit investments (which may, at the election of the contractor, be in an amount in excess of the maximum dollar amount of coverage by the Federal Deposit Insurance Corporation, the Federal Savings & Loan Insurance Corporation, or other similar agency), U.S. Treasury Bonds, U.S. Treasury Notes, U.S. Treasury Certificates of Indebtedness, U.S. Treasury Bills, bonds or notes of the State of Alabama or bonds of any political subdivision of the State of Alabama.

1	"(4) As interest on all investments held in escrow
2	becomes due, it shall be collected by the escrow agent and
3	paid to the contractor.

- "(5) The escrow agent shall periodically acknowledge to the awarding authority and contractor the amount and value of the escrow account held by the escrow agent, and any additions to the escrow account by the awarding authority shall be reported immediately to the contractor. Withdrawals from the escrow account shall only be made subject to the written approval of the awarding authority.
- "(6) Upon default or overpayment, as determined by the awarding authority, of any contract or contracts subject to this procedure, and upon the written demand of the awarding authority, the escrow agent shall within 10 days deliver a cashier's check to the awarding authority in the amount of the escrow account balance (subject to the redemption value of such investments at the time of disbursement) relating to the contract or contracts in default.
- "(7) The escrow account may be terminated upon completion and acceptance of the contract or contracts as provided in subsections (c) and (i) of this section.
- "(8) All fees and expenses of the escrow agent shall be paid by the contractor to the escrow agent and if not paid shall constitute a lien on the interest accruing to the escrow account and shall be paid therefrom.

"(9) The escrow account shall constitute a specific
pledge to the awarding authority, and the contractor shall
not, except to his surety, otherwise assign, pledge, discount,
sell, or transfer his interest in said escrow account, the
funds in which shall not be subject to levy, garnishment,
attachment, or any other process whatsoever.

- "(10) The form of the escrow agreement and provisions thereof in compliance herewith, as well as such other provisions as the awarding authority shall from time to time prescribe, shall be subject to written approval of the awarding authority. The approval of the escrow agreement by the awarding authority shall authorize the escrow agent to accept appointment in such capacity.
- "(11) The awarding authority shall not be liable to the contractor or his surety for the failure of the escrow agent to perform under the escrow agreement, or for the failure of any financial institution to honor investments issued by it which are held in the escrow account.
- "(g) The contractor may withdraw the whole or any part of the retainage upon deposit of securities only in accordance with the following procedures:
- "(1) The contractor shall deposit with the State

 Treasurer or the municipal or county official holding funds

 belonging to the contractor, the following readily negotiable

 security or any combination thereof in an amount at least

1	equal to the amount withdrawn, the security shall be accepted
2	at the time of deposit at market value but not in excess of
3	par value:

"a. U.S. Treasury Bonds, U.S. Treasury Notes, U.S. Treasury Certificates of Indebtedness, or U.S. Treasury Bills.

"b. Bonds or notes of the State of Alabama.

"c. Bonds of any political subdivision of the State of Alabama.

"d. Certificates of deposit issued by the Federal Deposit Insurance Corporation insured banks located in the State of Alabama. The certificates shall be negotiable and only in an amount not in excess of the maximum dollar amount of coverage by the Federal Deposit Insurance Corporation.

"e. Certificates of deposit issued by savings and loan associations located in the State of Alabama, the accounts of which are insured by the Federal Deposit Insurance Corporation or the accounts of which are insured by a company approved by the state Savings and Loan Board and the certificates shall be made payable with accrued interest on demand. Any certificate from any of the savings and loan associations referred to in this paragraph shall not be for an amount in excess of the maximum dollar amount of coverage of the Federal Deposit Insurance Corporation.

"(2) The agency or department of the state having jurisdiction over any public works contract shall notify the

State Treasurer of the amount of the deposit required and shall also notify the State Treasurer when to release the deposit.

- "(3) The architect or engineer representing any municipality or county or the chair of any board, commission, or agency of any municipality or county shall notify the municipal or county official of the amount of deposit required and shall also notify the municipal or county official when to release the deposit.
- "(4) At the time of deposit of any security, the security may be endorsed and shall be accompanied by a conditional assignment to the public body designated as owner in the contract document, which assignment shall empower the State Treasurer, or the municipal or county official to negotiate the security at any time to the extent necessary to cause the fulfilling of the contract.
- "(5) Any interest or income due on any security deposited shall be paid to the contractor. If the deposit is in the form of coupon bonds, the coupons, as they respectively become due, shall be delivered to the contractor.
- "(6) In the event the contractor defaults in the performance of the contract or any portion of the contract, the securities deposited by the contractor in lieu of retainage and all interest, income, and coupons accruing on the securities, after default, may be sold by the state or any

1	agency or department of the state, any municipality or county,
2	or any board, commission, or agency of the municipality or
3	county and the proceeds of the sale shall be used as if the
4	proceeds represented the retainage provided for under the
5	contract.

- "(h) All material and work covered by partial payments made shall become the sole property of the awarding authority, but the contractor shall not be relieved from the sole responsibility for the care and protection of materials and work upon which payments have been made, and for the restoration of any damaged work.
- "(i)(1) Upon the contractor's completion and the awarding authority's acceptance of all work required, the awarding authority shall pay the amount due the contractor upon the contractor's presentation of the following items:
- "a. A properly executed and duly certified voucher for payment.
- "b. A release, if required, of all claims and claims of lien against the awarding authority arising under and by virtue of the contract, other than such claims of the contractor, if any, as may be specifically excepted by the contractor from the operation of the release in stated amounts to be set forth therein.
- "c. Proof of advertisement as provided by law. Upon proof of advertisement, the prescribed terms of payment shall

not be amended after the terms and specifications have been published.

days after all the requirements of subdivision (1) are fulfilled, and any agreement to increase the 45-day 35-day period for payment after the execution of the contract is not enforceable. If the amount payable is not paid as required, interest on the amount shall be due and owing to the contractor. Interest shall accrue on the day following the later date described above and shall be paid from the same fund or source from which the contract principal is paid by the awarding authority. The interest rate for payments shall later date described above and shall be paid from the same fund or source from which the contract principal is paid. The interest rate for payments shall be the legal amount currently assessed for under payment of taxes under Section 40-1-44 (a).

"(3) Except as may be prohibited by Article I,
Section 14 of the Constitution of Alabama of 1901, a
contractor or awarding authority may file a civil action
against the party contractually obligated for the payment or
repayment claimed to recover the amount due plus the interest
accrued in accordance with this chapter. In addition to the
payment of any amounts due plus interest, if applicable, the
court shall award the prevailing party reasonable attorneys'
fees, court costs, and reasonable expenses. This provision

shall not apply to contracts administered by the Alabama
Building Commission, regardless of the source of the funds to
be utilized to fulfill the awarding authority's obligation
under the contract.

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"(j) If the Department of Transportation or a county awarding authority shall determine that there has been overpayment to a contractor on a contract award pursuant to this chapter, the Department of Transportation or the county awarding authority shall provide written notice of the overpayment to the contractor and the contractor shall remit the overpayment to the Department of Transportation or the county awarding authority within 60 days of receipt of the demand. If the contractor fails to remit payment in full of the overpayment within 60 days of receipt of demand, the contractor shall be disqualified from bidding as a prime contractor or from performing work as a subcontractor on any future Department of Transportation contract or county contract for the construction or maintenance of public highways, bridges, or roads until the overpayment is made. The Department of Transportation or county awarding authority shall also be entitled to interest from the contractor at the rate assessed for under payment of taxes under Section 40-1-44 (a) beginning on the 61st day after the contractor's receipt of demand.

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"(k) The contract between the awarding authority and contractor shall contain provisions outlining the source of sufficient funds to be utilized to fulfill the awarding authority's obligations under the contract, including whether the funds are held by the awarding authority at the time of the execution of the contract or whether the funds will become available at a date following the execution of the contract. Should the source of funds for the payment be a grant, award, or direct reimbursement from the state, federal government, or other source which will not become available until after the execution of the contract, this shall be disclosed in the contract and the provisions of this chapter regarding prompt payment shall not apply until the awarding authority is in receipt of the funds as provided in the contract. Upon such receipt, the 45-day requirement in this chapter shall commence and shall be enforceable as provided herein.

"(1) If subsurface or unknown physical conditions are encountered differing materially from those indicated in the contract, the party discovering the differing conditions shall promptly notify all parties to the contract in writing before the affected work is performed and in no event later than 10 days after discovering the condition. Upon the owner's receipt of written notification of materially different conditions, the architect or engineer of record shall investigate. If the architect or engineer determines that the

cause an increase or decrease in the cost or time required for performance of the work under the contract, the architect or engineer shall recommend to the owner that an adjustment of the contract terms be made to adequately reflect the increase or decrease in the cost or time required due to the condition changes. If the architect or engineer determines that materially different conditions do not exist, the architect or engineer shall notify the owner and the contractor in writing stating the reason for the determination.

grant, award, or direct reimbursement from the state, federal government, or other source which will not become available until after the execution of the contract, this shall be disclosed in the bid document and contract and the provisions of this chapter regarding prompt payment shall not apply until the awarding authority is in receipt of the funds as provided in the contract. Upon such receipt, the contracting agency shall process payment within 21 10 days and the 45-day requirement in this chapter shall commence and shall be enforceable as provided herein.

"(1) (m) In the event of a conflict between the provisions of this section and the provisions of any other section of the Code of Alabama 1975, or any agency's or

1	department's rules, regulations, or manuals, this section
2	shall govern.
3	" $\frac{(m)}{(m)}$ The provisions of this section shall not
4	apply to any state agency established pursuant to Chapter 1 of
5	Title 33.
6	"(o) This section shall not apply to any contract
7	relating to or concerning a declared state or national
8	emergency.
9	" $\frac{(n)}{(p)}$ $\frac{(o)}{(o)}$ The payment provisions of this section
10	shall not apply to contracts entered into by governmental
11	entities as a result of response and recovery to any of the
12	conditions described in Section 31-9-2(a) or as a result of
13	any other disaster event.
14	" (o) (q) <u>(p)</u> The provisions set forth in this
15	section shall apply to all payments, partial or otherwise."
16	Section 2. This act shall become effective on the
17	first day of the third month following its passage and
18	approval by the Governor, or its otherwise becoming law.

	Speaker of the House of Repre	esentatives
	Kan Iver	
	1 109 1109	
F	President and Presiding Office	er of the Senate
	House of Representative	es
I h and was passe	ereby certify that the withined by the House 25-FEB-14, as	Act originated in amended.
	Jeff Woodard Clerk	l
		_
Senate	03-APR-14	_ Amended and Passed
House	03-APR-14	Concurred in Sen- ate Amendment
	I h and was passe Senate	President and Presiding Office House of Representative I hereby certify that the within and was passed by the House 25-FEB-14, as Jeff Woodard Clerk Senate 03-APR-14

APPROVED April 9, 2014

TIME 1:12 p.n.

Galent Bentley

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Alabama Secretary Of State

Act Num...: 2014-404 Bill Num...: H-24

Recv'd 04/09/14 04:16pmSLF

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	NSORS
XI.	Ž

HEREBY CERTIFY THAT THE RESOLUTION AS REQUIRED IN SECTION C OF ACT NO. 81-889 WAS ADOPTED AND IS ATTACHED TO THE BILL, H.B. _____

RD 1 RFD

DATE:

20_/

NAYS 13 YEAS 83

JEFF WOODARD, Clerk

HEREBY CERTIFY THAT THE NOTICE & PROOF IS ATTACHED AS REQUIRED IN THE GENERAL ACTS OF ALABAMA, 1975 ACT NO. TO THE BILL, H.B.

JEFF WOODARD, Clerk

CONFERENCE COMMITTEE

House Conferees

and was acted upon by such Committee in session and is by order of the Committee by a vote of This Bill was referred to the Standing returned therefrom with a favorable report **50/**2 _ abstain _ Committee of the Senate on w/amend(s) / w/sub_ yeas 6 nays C this 19th day of

RD 2 CAL 200 DATE: 몺

Chairperson

8 RE-COMMITTED RE-REFERRED Committee DATE

required in Section C of Act No. 81-889 I hereby certify that the Resolution as was adopted and is attached to the Bill

_NAYS_O

PATRICK HARRIS, Secretary

FURTHER SENATE ACTION (OVER)