

27:7-34

LEGISLATIVE HISTORY CHECKLIST

NJSA: 27:7-34 State Aid for Roads-- contracts-- partial payments

LAWS OF: 1971 **CHAPTER:** 79

BILL NO: S551

SPONSOR(S): Woodcock and others

Date Introduced: February 9, 1970

Committee: **Assembly:** Transportation and Public Utilities
Senate: Transportation and Public Utilities

Amended during passage: Yes

Date of Passage: **Assembly:** April 23, 1970 Re-enacted 3-25-71
Senate: March 16, 1970 Re-enacted 3-15-71

Date of Approval: April 8, 1971

Following statements are attached if available:

Sponsor statement: No

Committee statement: **Assembly** No
Senate No

Fiscal Note: No

Veto Message: Yes

Message on Signing: No

Following were printed:

Reports: No

Hearings: No

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SENATE, No. 551

STATE OF NEW JERSEY

INTRODUCED FEBRUARY 9, 1970

By Senators WOODCOCK, SEARS, TANZMAN and COFFEE

Referred to Committee on Transportation and Public Utilities

AN Act concerning deferred payments to contractors for materials supplied and work performed in the construction of State highways and related projects and amending R. S. 27:7-34.

1 BE IT ENACTED *by the Senate and General Assembly of the State*
2 *of New Jersey:*

1 1. R. S. 27:7-34 is amended to read as follows:

2 27:7-34. Contracts may provide for partial payments at least
3 once each month or from time to time as the work progresses on
4 work of construction or maintenance. Ten per centum of the
5 amount due on partial payments on the first 50% of the total con-
6 tract price shall be withheld from the contractor pending comple-
7 tion of the contract. Thereafter, on the remaining 50% of the total
8 contract price, no per centum of the partial payments shall be with-
9 held from the contractor pending such completion.

10 Contracts may also provide for partial payments at least once in
11 each month or from time to time as the work progresses on all
12 materials placed along or upon the site which are suitable for the
13 use and execution of the contract, provided the contractor furnishes
14 releases of liens for all materials furnished at the time each esti-
15 mate of work is submitted for payment, but such partial payments
16 shall be 80% of the value of the material.

17 When the contract provides that a portion of the work may be
18 deferred with the approval of the commissioner, the sum withheld
19 from the contractor may not be less than 25% of the value of said
20 work.

21 *Any money heretofore or hereafter withheld from contract pay-*
22 *ments as provided for herein shall be paid by the State to any con-*
23 *tractor entitled thereto who shall deposit with the department*
24 *negotiable bonds, approved by the commissioner, issued by the State.*

EXPLANATION—Matter enclosed in bold-faced brackets [thus] in the above bill
is not enacted and is intended to be omitted in the law.

25 *or any political subdivision thereof, said bonds having value equal*
26 *to the amount of money to be paid to any such contractor. **For*
27 *purposes of this section, value shall mean par value or market value,*
28 *whichever is lower.** ***[Such bonds shall be returned to the con-***
29 *tractor upon completion of the contract and acceptance of the project*
30 *by the department.]**

1 2. This act shall take effect ****[immediately]**** ****January 1,**
2 **1972****.

STATE OF NEW JERSEY
EXECUTIVE DEPARTMENT

March 8, 1971

SENATE BILL NO. 551

To the Senate:

Pursuant to Article V, Section I, Paragraph 14(b) of the Constitution, I herewith return Senate Bill No. 551, with my objections, for reconsideration.

Senate Bill No. 551 provides persons entering contracts with the Department of Transportation with a method of obtaining without delay contract payments which would ordinarily be retained by the State pending completion of the contract with the State. The purpose of requiring certain amounts to be retained is to insure satisfactory performance by contractors who are doing work for the Department of Transportation. The bill provides that such monies shall be paid over to the contractor provided he deposits with the Department of Transportation negotiable bonds issued by the State or any sub-division thereof having value equal to the amount of money required to be retained. The effect of the bill is to insure the performance of the contract while allowing the contractor to have immediate use of the amounts of the funds now required to be retained by the State. The contractor would be entitled to the interest earnings on the negotiable bonds deposited with the Department.

Senate Bill No. 551 does not in any way dilute the security of the State with respect to highway construction contracts. It should have the desirable effect of reducing the cost of highway construction because it will eliminate a cost factor that must necessarily be included by contractors when bidding for State contracts. At least fifteen other states have laws similar in concept to Senate Bill No. 551. For these reasons, I believe Senate Bill No. 551 is in the best interest of the people of the State.

However, an amendment is necessary, in my opinion, to insure that the procedure for depositing the negotiable bonds operates as effectively as the present law. I believe the law should provide that the bonds must have

STATE OF NEW JERSEY
EXECUTIVE DEPARTMENT

Senate Bill No. 551

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market value or par value, whichever is lower, equal to the amount of retained funds. This will insure that the security held by the Department is not diluted by fluctuating market conditions. Also, some time must be given to enable the Department of Transportation to prepare for this new procedure.

Accordingly, I herewith return Senate Bill No. 551 for reconsideration and recommend that it be amended as follows:

Page 2, Section 1, Line 26: After "contractor." insert "For purposes of this section, value shall mean par value or market value, whichever is lower."

Page 2, Section 2, Line 1: Delete "immediately." and insert "January 1, 1972."

Respectfully,

[Seal]

/s/ William T. Cahill

GOVERNOR

Attest:

/s/ Jean E. Mulford

Acting Secretary to the Governor