

BILL ANALYSIS

Senate Research Center

H.B. 2506
By: Dukes (Ellis)
Jurisprudence
5-13-97
Engrossed

DIGEST

Currently, contractors and subcontractors providing goods or services to local governments are entitled by statute to interest on overdue payments owed by the subdivision. However, local governments often enjoy disparate bargaining power over vendors and may use this leverage to require a contractual waiver of the vendor's statutory right to interest. H.B. 2506 precludes vendors from contractually waiving their right to interest on overdue payments owned by political subdivisions. By removing interest on overdue payments as a negotiable point in the contract, contractors and subcontractors are protected from having to surrender this right in order to secure the business of the local government.

PURPOSE

As proposed, H.B. 2506 establishes provisions regarding interest charged on late payment made by certain political subdivisions under a contract for goods or services.

RULEMAKING AUTHORITY

This bill does not grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 2251.027, Government Code, by adding Subsection (e), to prohibit a political subdivision from requiring a vendor or subcontractor to agree to waive the vendor's or subcontractor's right to interest under this chapter as a condition of the contract between the parties.

SECTION 2. Makes application of this Act prospective.

SECTION 3. Emergency clause.
Effective date: 90 days after adjournment.