Miller Act, relating to payment protections for persons providing labor and materials for Federal construction projects.

The Clerk read as follows:

H. R. 1219
Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.
This Act may be cited as the "Construction Industry Payment Protection Act of 1999".

SEC. 2. AMENDMENTS TO THE MILLER ACT.
(a) ENHANCEMENT OF PAYMENT BOND PROTECTION.—Subsection (a)(2) of the first section of the Miller Act (40 U.S.C. 270a(a)(2)) is amended by striking the second, third, and fourth sentences and inserting in lieu thereof the following: "The amount of the payment bond shall be equal to the total amount payable by the terms of the contract unless the contracting officer waiving the contract makes a written determination, supported by specific findings that a payment bond in that amount is impractical, in which case the amount of the payment bond shall be set by the contracting officer. In no case shall the amount of the payment bond be less than the amount of the performance bond."

(b) MODERNIZATION OF DELIVERY OF NOTICE.—Section 2(a) of the Miller Act (40 U.S.C. 270a(a)) is amended in the last sentence by striking "mailing the same by registered mail, post-270b(a)) is amended in the last sentence by strik- ing from California (Mr. HORN)."

(c) NONWAIVER OF RIGHTS.—The second sec- tion of the Miller Act (40 U.S.C. 270b) is amend- ed by adding at the end the following new sub- section:

"(c) Any waiver of the right to sue on the payment bond required by this Act shall be void unless it is in writing, signed by the person whose right is waived, and executed after such person has furnished labor or material for use in the performance of the contract."

SEC. 3. IMPLEMENTATION THROUGH THE GOVERNMENT-WIDE PROCUREMENT REGULATIONS.
(a) PROPOSED REGULATIONS.—Proposed revisions to the Government-wide Federal Acquisition Regulation to implement the amendments made by this Act shall be published not later than 120 days after the date of the enactment of this Act and provide not less than 60 days for public comment.

(b) FINAL REGULATIONS.—Final regulations shall be published not less than 180 days after the date of the enactment of this Act and shall be effective on the date that is 30 days after the date of publication.

The SPEAKER pro tempore. Pursuant to the rule, the gentleman from California (Mr. HORN) and the gentle- man from Texas (Mr. TURNER) each will control 20 minutes.

The Chair recognizes the gentleman from California (Mr. HORN).

Mr. HORN. Mr. Speaker, I yield myself such time as I may consume. I include for the RECORD at this point a letter from the chairman of the Commit- tee on House Judiciary, the gentleman from Illinois (Mr. HYDE), agreeing to the discharge of the Committee on the Judiciary from further consideration of H.R. 1219.

The bill would also expand the methods by which the subcontractors could use to notify the prime contractor of their intent to seek payment from the payment bond. It permits notice by any delivery service that provides written third-party verification of delivery, including the United States Postal Service or a private express delivery service.

Moreover, the bill would require that any waiver of the Miller Act protections by a beneficiary of those protections must be in writing and may be made only after a subcontractor or supplier has furnished labor or materials for use in the performance of the contract.

The bill also requires that the Office of Management and Budget issue final regulations implementing these provisions not less than 180 days after enactment of this legislation.

H.R. 1219 represents a bipartisan effort to update the 1935 Miller Act. This bill contains proposals to amend the Miller Act that address some of the concerns of a variety of trade associations representing essentially every segment of the construction and surety industries. Our thanks go to the Demo- crats and Republicans who have worked together long and hard to bring this important bipartisan measure to the floor.

I was pleased to be a cosponsor of the gentleman from New York’s bill, the prime author, and the gentleman from Virginia (Mr. DAVIS) was also one of the key people in assuring that these different parties came together. The time has come to modernize the Miller Act. I urge my colleagues to support this measure.

Mr. Speaker, I reserve the balance of my time.

Mr. TURNER. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, this bill was introduced by the gentleman from New York (Mrs. MALONEY) as a means of address- ing some very serious concerns sur- rounding the bond requirements estab- lished in the Miller Act of 1935. I want to commend the gentleman from New York for her leadership in this leg- islation, specifically her work in bring- ing all the parties together that have an interest in this bill, working with them, ensuring that all of the concerns that were laid on the table by all of the parties were addressed. She did an out- standing job in working with a very bi- partisan way on this bill.

Specifically, subcontractors who per- form construction projects for the Fed- eral Government have raised questions about the adequacy of the payment bond requirement. The gentleman from New York is a member of the Committee on Government Reform, former ranking member of the Sub- committee on Government Manage- ment, Information, and Technology,
has been persistent in trying to correct the deficiencies of the current law. H.R. 1219 would remedy these problems, but the payment bond is great enough to protect all of the subcontractors. At the same time the legislation will modernize and strengthen the Miller Act and will provide a means of improving a relationship of the subcontractors that has been long needed.

This bill was reported by the Committee on Government Reform on May 19 by voice vote. The measure has also been referred to the Committee on the Judiciary which has discharged the bill. I would like to thank particularly the gentleman from Pennsylvania (Mr. Gekas) and the gentleman from New York (Mr. Nadler) for their help in crafting this bill.

Mr. Speaker, I reserve the balance of my time.

Mr. Horn. Mr. Speaker, I yield such time as he may consume to the gentleman from Virginia (Mr. Davis). He has done an outstanding job in bringing the parties together on this particular bill and we deeply appreciate his work on it.

Mr. Davis of Virginia. Mr. Speaker, I thank the chairman of the subcommittee for yielding me this time and I particularly thank the author of this bill the gentlewoman from New York who has worked, I think, over and beyond the usual call of duty in trying to bring consensus to something very technical but I think something very meaningful to government contractors and subcontractors and sureties.

I rise today in support of H.R. 1219, the Construction Industry Payments Act of 1999.

This legislation we have been involved in since the 105th Congress when the gentlewoman from New York began working with the affected industry groups to find consensus on updating the original Miller Act of 1935. I am happy to say that this bipartisan cooperation resulted in a strong bill that industry, Congress and the Federal Government can all support. It is fiscally responsible and it offers reasonable protections to all parties involved in this type of Federal procurement.

H.R. 1219 amends the 1935 Miller Act which has stood the test of time very well. It has needed relatively little legislative attention or congressional oversight since its passage. Currently, the Miller Act requires a contractor award a Federal contract in excess of $100,000 to furnish the government with a performance bond and a payment bond. These bonds protect the government and certain persons providing labor and material for performance of that work. H.R. 1219 prepares the Miller Act for the 21st century. It should achieve its objectives without unreasonable increasing the financial exposure or placing additional burdens on the prime contractor or the surety bond producers and corporate sureties that provide Miller Act bond payments. It maintains the act in three areas. The legislation amends the payment bond to the value of the contract award, allows receipt of notice through any method that provides written third party verification of receipt, and it prevents any waiver of the Miller Act rights prior to the commencement of the work. These three key updates of the 1935 legislation enhance the procedures and protections of the Miller Act for the government and those with rights under the act as we continue to update our procurement procedures the next century.

I am particularly impressed with H.R. 1219 and the reasonable updates of the Miller Act that allow it to be particularly effective in protecting all parties in the Federal contracting process. Not only does it preserve the authority of the United States courts to adjudicate issues under the Miller Act but it preserves the freedom of the contractor and the subcontractor to choose within their own dispute resolution process that will govern their dispute. This is an effective reform that focuses on everyone’s goal, providing the best product to the Federal Government in a timely manner. Additionally, H.R. 1219 maintains a subcontract provision that allows for requiring arbitration or another alternative dispute resolution process. A protected person’s Miller Act rights would be preserved by a timely suit in the District Court that can be stayed pending the subcontract dispute resolution process.

Simply put, this legislation modernizes the procedures and protections of the Miller Act, preserves the exclusive jurisdiction of the District Court to resolve issues arising under the Miller Act, and respects the freedom of the contractor and subcontractor to choose their own dispute resolution process, thereby bolstering the Federal Government’s strong policy in favor of alternative dispute resolution.

Finally, I want to again thank the gentlewoman from New York for her willingness to sit down and negotiate on this legislation what appeared to be differences too great to overcome in the waning days of the 105th Congress. Instead this has resulted in a strong, updated Miller Act early on in this Congress. I believe the extensive negotiations between the gentlewoman from New York, myself and others disposed of the key elements of the Miller Act to address and improve future situations in Federal contracting. H.R. 1219 is legislation that both enhances and preserves the 1935 legislation. This could not have occurred without a willfulness to build consensus or work together. I would also like to thank the many industry organizations that agreed to sit down and come up with reasonable compromises that helped us develop the strong bill before us today.

In particular, I want to thank the Association of General Contractors of America, the National Association of Subcontractors Association, the American Insurance Association, and other organizations that I will insert in the RECORD.

I urge the passage of this bill. I would also like to thank Amy Heerink and Melissa Wojciak from my staff.


Mr. Turner. Mr. Speaker, it is an honor for me to yield such time as she may consume to the gentlewoman from New York (Mrs. Maloney). I too would like to thank the gentlewoman for the leadership she has provided on this bill. She has spent more time working on this than any other member of this House. She is the sponsor of this bill.

Mrs. Maloney of New York. Mr. Speaker, I thank the ranking member for yielding me this time and I thank him for his leadership and support.

The best legislation is bipartisan and this has truly been a bipartisan effort over the past 3 years. I particularly congratulate the gentlewoman from California (Mr. Horn) with whom I have worked in a constructive way on many pieces of legislation before this body and the gentleman from Pennsylvania (Mr. Gekas) who likewise led on this effort and the gentleman from Virginia (Mr. Davis) who led actually a task force over the last summer between the different bodies that came forward with a consensus and compromise bill. And finally all of the stakeholders, all of the industries involved, over 25 industries came together and signed their own contract in support of the legislation and their pledge to work to pass it. So it has indeed been a combined effort which will ultimately not only help the employers and the employees but the American taxpayer, because the cost of the jobs will go down because those bidding on them will know that the
risk of not being paid will now be covered and that risk will not be built into their bid. So we have arrived at a day where everyone benefits in our country and I am very proud to have been part of the team that made this happen.

This is truly a historic day for the construction industry and their workers. Thanks to this bill, subcontractors who work on Federal projects will actually be paid and will not have to worry about being paid for their work. H.R. 1219 will modernize the 65-year-old Miller Act which was passed in 1935 to provide payment protection for contractors, subcontractors and suppliers. Under the Miller Act, prime contractors on Federal projects are required to purchase two types of surety bonds, one, the performance bond which the government that the work will in fact be completed, and a second, the payment bond that provides payment protection for subcontractors and suppliers. The payment bond is critical, because it is the payment protection of last resort in the event of a default on the part of the prime contractor. Yet under the Miller Act’s depression era requirements, prime contractors are not required to obtain a payment bond equal to the value of the contract they perform. In fact, for contracts of $5 million or more, the payment bond need not be worth more than $2.5 million regardless of the size of the project. Since 1935, Federal construction projects have been a fraction of the multi-year construction projects. The protections afforded by the Miller Act may have been adequate in 1935, but they are simply not sufficient for today. In fact, if the value of $2.5 million were simply adjusted for inflation, it is now at least $30 million. With Federal construction projects costing hundreds of millions of dollars, $2.5 million is simply not enough to provide payment protection for subcontractors, particularly those working in the later stages of complex, multi-year construction projects.

Earlier this year, President Clinton announced that the Federal Government, along with Senator MOYNIHAN, would be taking the lead in renovating the Farley Building in my home city of New York as part of the Penn Station mass transit redevelopment project. It is estimated that this project will cost almost $400 million. Now, under the Miller Act, a general contractor would only be required to furnish a payment bond worth $2.5 million, clearly not enough to provide protection for subcontractors and suppliers and their workers on a $400 million project. But thanks to this legislation that we are about to pass today, the subcontractors working on the Farley Building will actually be paid and will enjoy full payment protection.

I learned firsthand about the problems of the Miller Act when I was contacted by one of my constituents, Fred Levinson, in 1997. Fred runs a subcontracting firm in my district. Fred Levinson was hired to work on a project for the Federal Bureau of Prisons for over $100 million. But when the prime contractor on the building was terminated, Mr. Levinson was left without any way to collect the money he was owed for the work that he performed. As a result, he lost $9.5 million simply because the Miller Act did not provide for full payment protection. Mr. Levinson was fortunate enough to be able to save his company, but this payment problem still forced him to lay off employees and scale back his business. Other subcontractors on big Federal projects simply not so lucky and risk bankruptcy when the prime contractor defaults.

Thanks to this bill, no subcontractor in the future, including those working on the Farley Building or any Federal building, will wind up in an inadequate payment bond protection as did my constituent Fred Levinson. This is also, I might add, a case study in democracy, an example of how one person can come to a legislator, point out a problem, and work with them to solve it and to make a difference. I would like to dedicate my work on this bill to Fred Levinson, who brought it to my attention.

Mr. Speaker, as someone who has long been interested in Federal procurement policy, I can speak firsthand to the importance of full and timely payment to all segments of the construction industry. In particular, small firms face tremendous risks when they are not paid for work they complete. Many firms across the country have risked bankruptcy simply because they were not paid on time or in full by a project owner. Cases in which the Federal Government was the owner of the project are certainly no exception.

This bill will make three important changes to the Miller act.

First, it will require that prime contractors working on Federal projects furnish a payment bond of a value equal to the value of the contract they have been awarded. This provision will ensure full payment protection for subcontractors who choose to work on Federal projects. They will no longer be a $2.5 million limit.

Second, this bill will modernize the provisions of the Miller act which deal with notification of an intent to make a claim on a payment bond. Current law permits notification only by certified mail. Under this bill, notification will be permitted by any means that is reasonable and practical and notification of delivery. In this era of overnight mail and electronic commerce, it simply makes no sense to require notification only through registered mail.

Finally, this bill includes a provision that prohibits any waiver of the right to payment under a payment bond unless the waiver is in writing and given without any consideration. In other words, the right is waived after they have commenced work on the project. This will ensure that no subcontractor waives his or her right to sue before beginning work on a project. This provision is critical to protecting the rights of subcontractors throughout the bidding process and beyond.

I always believe that the best legislation is bipartisan, and that is certainly true in this case. This legislation enjoys broad support from Members across the political spectrum. This bill grew out of a hearing that was held jointly by my friend from California (Mr. HORN) and my friend from Pennsylvania (Mr. GEKAS).

At that hearing we heard from several witnesses who spoke on the need to modernize the act and my constituent Fred Levinson and one of Chairman GEKAS’ constituents, Micki Weaver. Mrs. Weaver, who owns a small specialty firm told of how the inadequacies of the Miller Act led her to avoid bidding altogether on future Federal projects.

Both the gentleman from California (Mr. HORN) and the gentleman from Pennsylvania (Mr. GEKAS) agreed that the Miller Act needed to be modernized and joined me as an original sponsor. I am very grateful for their hard work as well as that of their staffs and my own, staff which have helped to get us to where we are today. In addition, the gentleman from Indiana (Mr. BURTON) and the gentleman from Illinois (Mr. HYDE) both were instrumental in moving this bill through the legislative process, as were the ranking members, the gentleman from California (Mr. WAXMAN) and the gentleman from Michigan (Mr. CONYERS).

My friend from Virginia (Mr. DAVIS) took the lead in getting everyone involved in this issue to agree to sit down at the table and negotiate so that we could reach the agreement on the legislation we have before us today. In addition, many other Members of this House, including the gentleman from Florida (Mr. SCARBOROUGH), the gentleman from Texas (Mr. SESSIONS), the gentleman from Texas (Mr. SMITH), and the gentleman from Pennsylvania (Mr. KANJORSKI) have supported and worked on this legislation from the beginning and were very instrumental in moving it to the floor today.

Equally important, Mr. Speaker, is the hard work that many of the industry groups have done. I am pleased that every industry group with an interest in modernizing the Miller Act supports this bipartisan legislation. This bill enjoys the backing of at least 25 industry organizations, all of which have had a vested interest in the payment bond protection afforded by the act.
In particular, I would like to thank the American Subcontractors Association which has also headed the bipartisan coalition to modernize the Miller Act for their hard work on this bill as well as that of the Associated General Contractors of America and the Surety Association of America, both of which played a critical role in the negotiations which led to this bill.

Mrs. MALONEY of New York. Mr. Speaker, finally I am very pleased to announce that the administration has recently said that it, too, supports the bill. This bill will bring about a common sense reform that will make a tremendous difference for construction subcontractors and their workers who do business with the Federal Government. It will not cost the taxpayers anything, and in fact it might lower the cost of projects.

Mr. Speaker, I urge all Members to support this important bipartisan bill.

Mr. TURNER. Mr. Speaker, I have no further requests for time, and I yield back the balance of the time.

Mr. HORN. Mr. Speaker, I yield myself such time as I may consume.

I just want to, in conclusion, note that the gentleman from Texas (Mr. Turner), the ranking minority member on the subcommittee, has been very helpful on this, and I mentioned earlier, I will mention again, the gentleman from Pennsylvania (Mr. Gekas) is a very distinguished legislator from Pennsylvania and a key person on the Committee on the Judiciary, and the gentleman from Illinois (Mr. Hyde) gave the waiver of this bill to the floor, and we are extremely grateful for that bipartisan, bi-committee cooperation.

But in closing, I want to say to the gentlewoman from New York (Mrs. Maloney) and the staff of the gentleman from New York (Mr. Gekas), and we thank them all for their help. I urge adoption of this measure.

The SPEAKER pro tempore. The question is on the motion offered by the gentleman from California (Mr. Horn) that the House suspend the rules and pass the bill, H.R. 1219, as amended.

The question was taken.

Mr. HORN. Mr. Speaker, on that I demand the yeas and nays.

The yeas and nays were ordered.

The SPEAKER pro tempore. Pursuant to clause 8 of rule XX and the Chair’s prior announcement, further proceedings on this motion will be postponed.

GENERAL LEAVE

Mr. HORN. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days within which to revise and extend their remarks on H.R. 1219, as amended.

The SPEAKER pro tempore. The gentleman from California (Mr. Horn), the ranking minority member on the subcommittee, has been very helpful on this, and I mentioned earlier, I will mention again, the gentleman from Pennsylvania (Mr. Gekas) is a very distinguished legislator from Pennsylvania and a key person on the Committee on the Judiciary, and the gentleman from Illinois (Mr. Hyde) gave the waiver of this bill to the floor, and we are extremely grateful for that bipartisan, bi-committee cooperation.

In closing, I want to say to the gentlewoman from New York (Mrs. Maloney) and the staff of the gentleman from Pennsylvania (Mr. Gekas), and we thank them all for their help. I urge adoption of this measure.

Mr. HORN. Mr. Speaker, I move to suspend the rules and pass the bill (H.R. 1442) to amend the Federal Property and Administrative Services Act of 1949 to continue and extend authority for transfers to State and local governments of certain property for law enforcement, public safety, and emergency response purposes, as amended.

The Clerk read as follows:

Title II—Improving Federal Debt Collection Practices

Sec. 1. SHORT TITLE; TABLE OF CONTENTS.

(a) SHORT TITLE.—This Act may be cited as the “Government Waste, Fraud, and Error Reduction Act of 1999”.

(b) TABLE OF CONTENTS.—The table of contents for this Act is as follows:

1. Short title; table of contents.

2. Purposes.

3. Definition.


TITLE I—GENERAL MANAGEMENT IMPROVEMENTS

Sec. 101. Improving financial management.

Sec. 102. Improving travel management.

TITLE II—IMPROVING FEDERAL DEBT COLLECTION PRACTICES

Sec. 201. Miscellaneous corrections to subchapter II of chapter 37 of title 31, United States Code.


Sec. 203. Collection and compromise of nontax debts and claims.

TITLE III—SALE OF NONTAX DEBTS AND CLAIMS

Sec. 301. Authority to sell certain nontax debts.

Sec. 302. Requirement to sell certain nontax debts.

Sec. 303. Authorization to sell certain nontax debts.

Sec. 304. Annual report on high value nontax debts.

Sec. 305. Review by Inspectors General.

Sec. 306. Requirement to seek seizure and forfeiture of assets securing high value nontax debt.

TITLE V—FEDERAL PAYMENTS

Sec. 501. Transfer of responsibility to Secretary of the Treasury with respect to prompt payment.

Sec. 502. Promoting electronic payments.

Sec. 503. Debt services account.

TITLE VI—FEDERAL PROPERTY


SEC. 2. PURPOSES.

The purposes of this Act are the following:

(1) To reduce waste, fraud, and error in Federal benefit programs.

(2) To focus Federal agency management attention on high-risk programs.

(3) To better collect debts owed to the United States.

(4) To improve Federal payment systems.

(5) To improve reporting on Government payments.

SEC. 3. DEFINITION.

As used in this Act, the term “nontax debt” means any debt (within the meaning of that term as used in chapter 37 of title 31, United States Code) other than a debt under the Internal Revenue Code of 1986 or the Tariff Act of 1930.

SEC. 4. APPLICATION OF ACT.

No provision of this Act shall apply to the Department of the Treasury or the Internal Revenue Service to the extent that such provision—

(1) involves the administration of the internal revenue laws; or

(2) conflicts with the Internal Revenue Service Restructuring and Reform Act of 1998, the Internal Revenue Code of 1986, or the Tariff Act of 1930.

TITLE I—GENERAL MANAGEMENT IMPROVEMENTS

Sec. 101. Improving financial management.

Sec. 102. Improving travel management.

(a) LIMITED EXCLUSION FROM REQUIREMENT REGARDING OCCUPATION OF QUARTERS.—Section 591(e) of title 5, United States Code, is amended by adding at the end the following new sentence: “The preceding sentence shall not apply with respect to lodging provided under chapter 57 of this title.”

(b) USE OF TRAVEL MANAGEMENT CENTERS, AGENTS, AND ELECTRONIC PAYMENT SYSTEMS.—

(1) REQUIREMENT TO ENCOURAGE USE.—The head of each executive agency shall, with respect to travel by employees of the agency in the performance of the employment duties by the employee, require, to the extent practicable, the use by such employees of travel management centers, travel agents authorized for use by such employees, and electronic reservation and payment systems for the purpose of improving efficiency and economy regarding travel by employees of the agency.