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House Passes Changes to Contract Dispute Process **New List of Procedures Ensures a Fair Hearing for Both Sides**

(JUNEAU)--The Alaska House of Representatives unanimously approved House Bill 250 by a vote of 36 to zero on Thursday. Sponsored by House Transportation Committee Co-Chair Representative Jim Holm (R-Fairbanks), HB 250 modifies the construction claims process so that both contractors and the State of Alaska can expect a more judicious process.

“Delays are rampant. Justice is delayed,” Holm said. “The entire process is ripe for review and revision.”

A construction claim arises when the two parties of a construction contract disagree as to whether a specific element of the work is within the scope of the contract. For claims between contractors and the State of Alaska, a procurement code defines the procedure to resolve the claim. First, the state procurement officer that is involved with the claim evaluates both arguments and issues a ruling. The contractor may then file an appeal with the officer’s supervisor. If the contractor still does not receive a satisfactory decision, he or she may appeal that decision to a hearing officer; however, the state also selects the hearing officer. The process can extend over such long periods of time and require such large sums of money that small contractors may not be able to afford pursuing such claims. Claims of less than \$250,000 are frequently not pursued because of the great expense involved.

“The perception in the construction community is that the process has slowly deteriorated so that it is no longer fair or expeditious,” Holm said.

HB 250 revises the process in the following ways to provide reassurance of an unbiased claims decision:

(MORE)

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1. If a procurement officer does not issue a written decision by the due date, the contractor may seek arbitration.
2. On appeals of all construction claims, the parties can agree to binding arbitration.
3. The timelines for decisions have been tightened, and redundant requirements have been eliminated.
4. An arbitrator or hearing officer who does not issue a decision by the deadline is disqualified for a year.
5. Qualifications for arbitrators and hearing officers will be established by the commissioner of administration in regulation.
6. The contractor is entitled to recover some of the claims costs incurred.

“[HB 250](#) will expedite contractor's claims and return fairness to the process,” Holm said.

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