

HB

310

STATE OF ALASKA  
THE LEGISLATURE

POUCHY - STATE CAPITOL  
JUNEAU, ALASKA 99811  
907.465.3800

LEGISLATIVE AFFAIRS AGENCY  
LEGISLATIVE REFERENCE LIBRARY

May, 1988

Copies of minutes listed below were originally included in this file. The minutes are available on the STAIRS database CMPR. In order to save space copies of minutes have not been left in the files.

Mary Van Nimwegen

House Labor & Commerce

March 8, 1988



Official Business

**COMMITTEE:**  
HOUSE LABOR & COMMERCE

**DATE:** March 8, 1988

# SIGN-IN

## Subject of meeting:

HB 485 "An Act amending provisions relating to a solicitation for offers to purchase or operate the Alaska Railroad; and providing for an effective date."  
 HB 310 "An Act relating to payment under public construction contracts."  
 HB 536 "An Act relating to the sale, pricing, and marketing of alcoholic beverages; and prohibiting persons from being on premises involving alcoholic beverages under certain circumstances."  
 HB352/SB322 "An Act relating to workers' compensation for an effective date."

and providing

PLEASE PRINT  
NAME & TITLE

REPRESENTING

ADDRESS & ZIP

PHONE

DO YOU WANT  
TO TESTIFY?

SUBJECT:  
BILL #

Doug RICKEY	Rep. Grossendorf		H W 465-3720	YES	HB 310
PAUL ROLLER	DIV. OF INSURANCE		H W 465 2518	YES	HB 352 322
DON KOCH	" " "		H W 465 2577	AS NEEDED	"
JEFF OTTESEN	DOT/PF		H W 465 2951	AS NEEDED	HB 310
GERALD VALINSKI	AK Railroad	6910 CHAD ANCH 99518	H W 349-7005	AS NEEDED	HB 485
Kesw Terrel	ACC of Alaska	134 No. Franklin	H W 586-7740	yes	HB-310
W. J. H. H. H.			H W		SB 322
Arch Carman	Labor Co. } Labor	1000 1st St. Anchorage	H W 349-6666	Yes	322
Robert Anders	Operating Engineers } Management } Wash. St.	902 W. North Star Lights Blvd Anch	H W 561-5288	yes	322
			H W		



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GERALD VALINSKI	AK Railroad	6910 CHAD ANCH 99518	H W 349-7005	AS NEEDED	HB 485
Denise VanDerPol	Rehabilitative Specialist	130 Seward St # 212 Juneau 99801	H W 586-6462	Yes	#B SB 322
Joren Rasmussen	D.O.T.	P.O. Bx 2 99811	H W 465-2960	if needed	HB 310
			H W		
			H W		
			H W		



February 17, 1988

Memo to File: WFR

CS for House Bill 310

Analysis and comment by Associated General Contractors of Alaska.

#### ANALYSIS

CS HB 310 modifies several provisions in Title 36 relating to construction and public works contracts.

Section 1 of the proposed legislation amends AS 36.25.020(b) by attempting to broaden the coverage of the "Little Miller Act's" bonding requirements by defining "subcontractor" to include a subcontractor of a subcontractor.

Sections 2 through 4 relate to a new contractor provided sworn statement that: "all of the subcontractors on the project have been paid for the services, materials, and equipment furnished by the subcontractors for the project and the work performed by the contractor under the contract has been inspected and improved for compliance with the contract". Additionally, "subcontractor" would include any person with an express or implied contractual relationship with a contractor with a subcontractor to furnish services, materials or equipment for the project but it does not include an employee.

Section 5 requires that any person who contracts to furnish services, materials, or equipment for a public construction or public works project must give the prime contractor of the project written notice of the contract within 10 days of entering into the contract.

#### COMMENT

##### A. Increasing the Scope of Little Miller Act Protection.

Presently the State of Alaska's "Little Miller Act" is modeled after the federal "Miller Act". The purpose is to provide protection to subcontractors, materialmen and laborers engaged in work on public projects exceeding \$100,000. Any contractor bidding more than \$100,000 on a project must supply a performance and payment bond which assures that all persons within the protection of the "Miller Act" will be paid.

Absent "Miller Act" protection, an individual without a direct contractual relationship with a prime contractor is unable to recover. In the private sector, lien laws normally allow certain suppliers or individuals to place a lien on property pending a resolution of their claim for payment. The "Miller Act" was developed as a substitute for a lien. The "Miller Act" allows claims by persons with direct contracts with the prime contractor or with a first tier subcontractor. Those who do not have direct contracts with either of these two are not covered. In other words, materialmen to materialmen are not covered nor are sub-subcontractors sub-subcontractors nor anyone else contracting with a sub-subcontractor. The attached exhibit shows in diagram fashion those who can make a claim on the general contractor's payment bond and those who cannot. Those inside the box can make a claim against the bond and those outside the box can not.

Presently, there are many instances where general contractors who have already paid a subcontractor subsequently end up paying additional claims by sub-subcontractors or material suppliers to a subcontractor, in other words, they pay twice for the same work. The effect of increasing the scope of "Miller Act" coverage will be more and more instances of double payment by the general contractor.

#### B. Required Sworn Statement

There are two aspects to the sworn statement that must be provided under the proposed legislation.

1. All the subcontractors on the project have been paid for their services, materials and equipment.
2. The work performed by the contractor under the contract has been inspected and approved for compliance with the contract.

I do not understand ~~the~~ what is intended by the language "the work performed by the contractor under the contract has been inspected and approved for compliance with the contract". The contracts referred to are public construction contracts which are usually between a State or a political subdivision of the State and a contractor. Normally these contracts are very thick documents spelling out the rights and responsibilities of both of the parties. Normally, the owner-agencies have numerous inspectors on the job and prior to paying a contractor normally inspect the work done on the contract.

The proposed requirement that a general contractor provide a sworn statement that all the subcontractors on the project have been paid for the services and equipment furnished by subcontractors for the project as a prerequisite for obtaining a second or subsequent progress payment under a construction

contract is not a workable structure for the construction industry.

First, the language does not specify that the attested subcontractor payments are those arising out of the previous pay estimate.

Second, even assuming this structural deficiency is corrected, a general contractor may not be able to determine whether lower tiered subcontractors have been paid. The general contractor has a direct contractual relationship only with his subcontractors.

Third, this structure does not provide for disputes which often occur in construction projects or set-offs which may be taken by a general contractor against a subcontractor who may not have performed a portion of the subcontract.

Fourth, this procedure would have the effect of placing the owner-contracting agency as an arbitrator of contract disputes that arise on a construction project.

Fifth, this proposed legislation will have the effect of stopping all money to a construction project anytime a contractual dispute arises. Thus, the smallest and most picayune dispute between the lowest tiered subcontractor on a job could stop the entire flow of money on a project.

The question that must be asked is why is this needed in addition to the "Miller Act"? The "Miller Act" provides a performance payment bond by the general contractor. This bond assures payment in the event a dispute arises between a general contractor and a subcontractor and the subcontractor ultimately prevails. Under the proposed legislation the capability to stop all of the progress payments on a project is given to lower tiered subcontractors who do not have performance and payment bonds. If the subcontractor is ultimately wrong in its contentions there is no performance and payment bond against which the general contractor can proceed. In a dispute situation, the general contractor must pay out the money and then seek a refund from the subcontractor. This is contrary to the philosophical underpinnings of the "Miller Act".

#### C. Notice by Subcontractors

The required notice that any subcontractor on a public works project notify the prime contractor within 10 days of entering into a contract is a good one. I suggest that language be broadened to include furnishing services or providing supplies and that some sanction be structured in the event a subcontractor or supplier fails to provide the notice required by this section. The most obvious sanction is precluding the subcontractor from filing a "Miller Act" claim. In this way the general contractor will be informed of the names of all potential "Miller Act"

claimants prior to payment of any money. The general contractor can then insure that those persons are paid prior to closing the job out. Any subcontractors not providing this notice requirement should be precluded from filing a "Miller Act" claim. It will avoid the current situation where many general contractors pay twice for having the same work performed.

In summary, we are opposed to this legislation and think the structure suggested is not workable. More important perhaps is the focus or intent of the legislation. It seems apparent the legislation is aimed at protecting lower tiered subcontractors in situations where they are not getting paid on public construction projects.

First, we want to be clear that AGC clearly supports the prompt payment of all subcontractors on any type of construction project. For example, AGC model contracts clearly provide that subcontractors will be promptly paid (usually within 7 days of receipt of the money by the general contractor). What we oppose is a system where the owner-agency comes between the direct contractual relationship of the general contractor and his subcontractors or between the other tiers of subcontractors on a construction project.

## THE ASSOCIATED GENERAL CONTRACTORS OF AMERICA

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# SUBCONTRACT FOR BUILDING CONSTRUCTION

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## TABLE OF ARTICLES

1. AGREEMENT
2. SCOPE OF WORK
3. SCHEDULE OF WORK
4. CONTRACT PRICE
5. PAYMENT
6. CHANGES, CLAIMS AND DELAYS
7. CONTRACTOR'S OBLIGATIONS
8. SUBCONTRACTOR'S OBLIGATIONS
9. SUBCONTRACT PROVISIONS
10. RECOURSE BY CONTRACTOR
11. LABOR RELATIONS
12. INDEMNIFICATION
13. INSURANCE
14. ARBITRATION
15. CONTRACT INTERPRETATION
16. SPECIAL PROVISIONS

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This Agreement has important legal and insurance consequences. Consultation with an attorney and insurance consultant is encouraged with respect to its completion or modification and particularly when used with other than AIA A201 General Conditions of the Contract for Construction, August 1976 edition.

## 5.2 PROGRESS PAYMENTS

**5.2.1 APPLICATION.** The Subcontractor's progress payment application for work performed in the preceding payment period shall be submitted to the Contractor per the terms of this Agreement and specifically Articles 5.1.1, 5.2.2, 5.2.3, and 5.2.4 for approval of the Contractor and \_\_\_\_\_.

The Contractor shall forward, without delay, the approved value to the Owner for payment.

**5.2.2 RETAINAGE/SECURITY.** The rate of retainage shall not exceed the percentage retained from the Contractor's payment by the Owner for the Subcontractor's Work provided the Subcontractor furnishes a bond or other security to the satisfaction of the Contractor.

If the Subcontractor has furnished such bond or security; its work is satisfactory and the Contract Documents provide for reduction of retainage at a specified percentage of completion, the Subcontractor's retainage shall also be reduced when the Subcontractor's Work has attained the same percentage of completion and the Contractor's retainage for the Subcontractor's Work has been so reduced by the Owner.

However, if the Subcontractor does not provide such bond or security, the rate of retainage shall be \_\_\_\_\_%.

**5.2.3 TIME OF APPLICATION.** The Subcontractor shall submit progress payment applications to the Contractor no later than the \_\_\_\_\_ day of each payment period for work performed up to and including the \_\_\_\_\_ day of the payment period indicating work completed and, to the extent allowed under Article 5.2.4, materials suitably stored during the preceding payment period.

**5.2.4 STORED MATERIALS.** Unless otherwise provided in the Contract Documents, and if approved in advance by the Owner, applications for payment may include materials and equipment not incorporated in the Subcontractor's Work but delivered and suitably stored at the site or at some other location agreed upon in writing. Approval of payment application for such stored items on or off the site shall be conditioned upon submission by the Subcontractor of bills of sale and applicable insurance or such other procedures satisfactory to the Owner and Contractor to establish the Owner's title to such materials and equipment or otherwise protect the Owner's and Contractor's interests therein, including transportation to the site.

**5.2.5 TIME OF PAYMENT.** Progress payments to the Subcontractor for satisfactory performance of the Subcontractor's Work shall be made no later than seven (7) days after receipt by the Contractor of payment from the Owner for such Subcontractor's Work.

**5.2.6 PAYMENT DELAY.** If for any reason not the fault of the Subcontractor, the Subcontractor does not receive a progress payment from the Contractor within seven (7) days after the date such payment is due, as defined in Article 5.2.5, then the Subcontractor, upon giving an additional seven (7) days written notice to the Contractor, and without prejudice to and in addition to any other legal remedies, may stop work until payment of the full amount owing to the Subcontractor has been received. To the extent obtained by the Contractor under the Contract Documents, the contract price shall be increased by the amount of the Subcontractor's reasonable costs of shut-down, delay, and start-up, which shall be effected by appropriate Change Order.

If the Subcontractor's Work has been stopped for thirty (30) days because the Subcontractor has not received progress payments as required hereunder, the Subcontractor may terminate this Agreement upon giving the Contractor an additional seven (7) days written notice.

## 5.3 FINAL PAYMENT

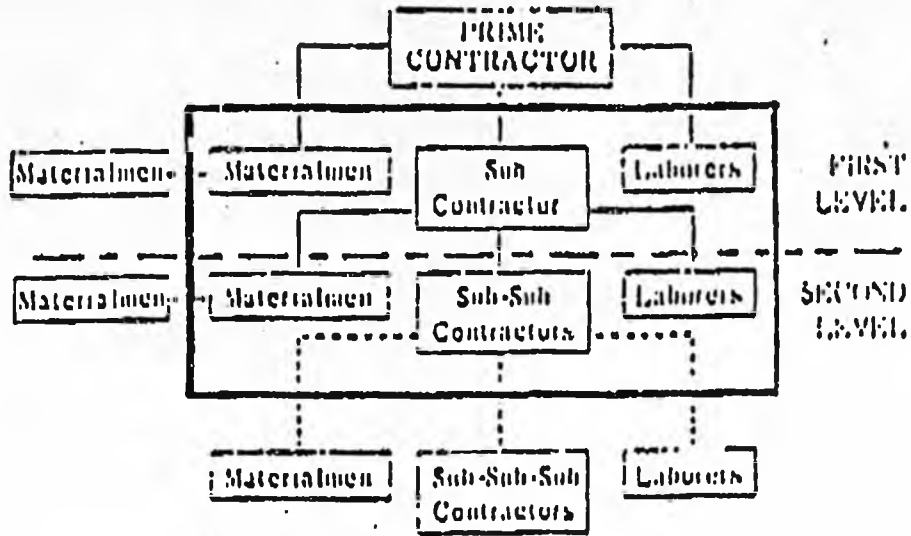
**5.3.1 APPLICATION.** Upon acceptance of the Subcontractor's Work by the Owner, the Contractor, and if necessary, the Architect, and upon the Subcontractor furnishing evidence of fulfillment of the Subcontractor's obligations in accordance with the Contract Documents and Article 5.3.2, the Contractor shall forward the Subcontractor's application for final payment without delay.

**5.3.2 REQUIREMENTS.** Before the Contractor shall be required to forward the Subcontractor's application for final payment to the Owner, the Subcontractor shall submit to the Contractor:

- (a) an affidavit that all payrolls, bills for materials and equipment, and other indebtedness connected with the Subcontractor's Work for which the Owner or his property or the Contractor or the Contractor's surety might in any way be liable, have been paid or otherwise satisfied;
- (b) consent of surety to final payment, if required;
- (c) satisfaction of required closeout procedures; and
- (d) other data if required by the Contractor or Owner, such as receipts, releases, and waivers of liens to the extent and in such form as may be designated by the Contractor or Owner.

Final payment shall constitute a waiver of all claims by the Subcontractor relating to the Subcontractor's Work, but shall in no way relieve the Subcontractor of liability for the obligations assumed under Article 9.10 hereof, or for faulty or defective work appearing after final payment.

**5.3.3 TIME OF PAYMENT.** Final payment of the balance due of the contract price shall be made to the Subcontractor:



EXHIBIT

STATE OF ALASKA  
1988 LEGISLATIVE SESSION

BILL VERSION: HB 310  
PUBLISH DATE: 5/12/87

REQUEST: FISCAL NOTE

Revision Date:  
Title: An Act relating to payment under public construction contracts.  
Sponsor: Grussendorf  
Requestor:

Agency Affected: DOT&PF  
BRU: Engineering & Operations  
Components:

EXPENDITURES/REVENUES: (THOUSANDS OF DOLLARS)

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTURAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL	0	0	0	0	0	0
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REVENUE	0	0	0	0	0	0
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FUNDING: (THOUSANDS OF DOLLARS)

GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL	0	0	0	0	0	0

POSITIONS:


FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS: (Attach a separate page if necessary)

Current construction contract language used by DOT&PF requires payment by the (prime) contractor to all subcontractors within 7 days following receipt of payment. As this bill is currently written no additional fiscal impacts during construction administration are anticipated except where a fraudulent statement is made under paragraph (f). Should the department be involved in litigation surrounding fraudulent statements that may be made, litigation and damage costs may arise. As these costs are both speculative and not subject to accurate estimation no fiscal impact is portrayed.

Prepared by: Rod Wilson, Design Manager II  
Division: Engineering and Operations Standards

Phone: 465-2951  
Date: February 16, 1988

Approved by Commissioner:   
Agency: Department of Transportation and Public Facilities

Date: 2/17/88

Distribution (by preparer):  
Legislative Finance  
Legislative Sponsor  
Requestor  
Office of Management and Budget  
Impacted Agency(ies)

Fiscal Analysis for HB 310  
5/16/87  
Prepared by DOT&PF  
2/16/88

page 2 of 2

The department recommends that paragraph (f) be reworded as follows: "...until the contractor provides a sworn statement that the subcontractors of the contractor have been paid for the subcontractors' work under the contract and that work performed by the contractor under the contract has been ~~inspected and approved for compliance~~ completed in accordance with the contract."

The rationale for this change is that in nearly every instance the responsibility for inspection and approval lies with the Contracting Agency and not with the contractor. We believe it is in the best interest of the state that the sworn statement include acknowledgement that the work for which payment is requested is in conformity with the contract.

REPRESENTATIVE  
BEN GRUSSENDORF

P. O. Box 928  
SITKA, ALASKA 99835  
(907) 747-8458

RULES COMMITTEE  
LEGISLATIVE COUNCIL

DISTRICT 3  
ELFIN COVE  
PELICAN  
PORT ALEXANDER  
SITKA  
TENAKEE

# Alaska State Legislature



House of Representatives  
SPEAKER OF THE HOUSE

WHILE IN JUNEAU  
P.O. Box V  
JUNEAU, ALASKA 99811  
(907) 465-3824  
(907) 465-3720

## MEMORANDUM

To: Rep. Dave Donley  
Chairman  
House Labor & Commerce Committee

From: Rep. Ben Grussendorf  
Speaker of the House

Date: February 17, 1988

Subject: House Bill 310

The purpose of House Bill 310 is to make it easier for subcontractors to collect money owed them for work on public construction projects. A number of subcontractors around the state have had great difficulty in this area, either receiving payments in an untimely manner or having payments wrongfully withheld. House Bill 310 would simply require that, prior to the receipt of a second or subsequent progress payment on a public construction project, the prime contractor submit a sworn statement that all subcontractors on the project have been paid what was due them from the previous progress payment.

Although House Bill 310 in its present form does take a step toward solving the problem, I believe the bill can be strengthened. Attached to this memorandum is a proposed substitute for House Bill 310 which I hope will be given consideration for adoption by the Labor & Commerce Committee. The proposed substitute does basically three things:

1. Section 1 amends the "Little Miller Act", the law which allows those who have contributed labor and materials to a public construction project and who have not been paid to sue against the payment bond posted by the prime contractor. The amendment would make clear that any person who furnishes such labor or materials may sue against the bond. All that is required is that the person have a direct contractual relationship with any subcontractor on the project.

2. Sections 2, 3 and 4 amend certain parts of the "Miscellaneous Provisions" section of Title 36 (Public Contracts). These amendments relate to sworn statements which must be furnished before prime contractors may receive progress payments on a public construction project, and are more particularly described in the first paragraph of this memorandum. Sections 2, 3 and 4 are basically the same as sections 1, 2 and 3 of HB 310 as introduced.

3. Section 5 requires that any subcontractor on a public construction or public works project give written notice to the prime contractor that the subcontractor has been so engaged. This requirement will make the prime contractor aware of any potential "Little Miller Act" claimants and should help the prime contractor comply with the requirement that he submit sworn statements of payment to subcontractors prior to the receipt of the prime contractor's second or subsequent progress payment.

One of the reasons I introduced House Bill 310 was to put the subject of payments to subcontractors "on the table" for discussion and debate. I am not claiming that the bill or its proposed substitute are the perfect solution, and I expect amendments to be proposed as this bill makes its way through the committee. I will not oppose such amendments if they serve the main purposes of the legislation: the prompt payment of subcontractors for work performed on public construction projects.

# HOUSE COMMITTEE REPORT

(7)

Date referred: 5/12/87

FURTHER REFERRALS: Judiciary  
Finance

DATE: 3/8/88

The Labor & Commerce Committee has considered HB 310

"An Act relating to payment under public construction contracts."

**RECOMMENDS:**

- replace with CSHB 310 (L+C)  the same title
- attached amendment(s)  a new title
- do pass
- do not pass
- no recommendation
- individual recommendations
- additional referral to the \_\_\_\_\_ Committee

**ADOPTS:**  \_\_\_\_\_ letter of intent

**ATTACHES NEW FISCAL NOTE(S):**

- fiscal impact  same as previous fiscal note published \_\_\_\_\_
- zero fiscal note  same as previous zero fiscal note published \_\_\_\_\_
- zero with analysis

**SIGNING DO PASS:**

**SIGNING OTHER RECOMMENDATIONS:**

Donna Duley  
Ellis  
Chip Davison  
Al C. Smith  
Mike Johnson

W. Furnace now Bill need work  
Don't know who W.D.R.S.

Donna Duley  
 Chairman's signature

5-1199B  
Bannister  
2/3/88

Original sponsor: Grussendorf

1 IN THE HOUSE

2 CS FOR HOUSE BILL NO. 310 ( )

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to public construction and public  
7 works contracts."

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 \* Section 1. AS 36.25.020(b) is amended to read:

10 (b) However, a person having direct contractual relationships  
11 with a subcontractor but no contractual relationship express or im-  
12 plied with the contractor furnishing the payment bond has a right of  
13 action on the payment bond upon giving written notice to the contrac-  
14 tor within 90 days from the last date on which the person performed  
15 labor or furnished material for which the claim is made. The notice  
16 must state with substantial accuracy the amount claimed and the name  
17 of the person to whom the material was furnished or for whom the labor  
18 was performed. The notice shall be served by mailing it by registered  
19 mail, postage prepaid, in an envelope addressed to the contractor at a  
20 [ANY] place where the contractor maintains an office or conducts  
21 business, or the contractor's residence, or in a [ANY] manner in which  
22 a peace officer is authorized to serve summons. In this subsection,  
23 "subcontractor" includes a subcontractor of a subcontractor.

24 \* Sec. 2. AS 36.90.010(a) is amended to read:

25 (a) The state shall initiate procedures to pay the contractor  
26 under a public construction or public works [WORK] contract within 15  
27 days after the contractor submits to the state a bill for materials  
28 provided or services performed, [AND] a sworn statement that all  
29 employees employed on the project by the contractor and all

1 subcontractors have been paid not less than the established prevailing  
2 rate of pay as determined and published by the Department of Labor,  
3 and, if applicable, the sworn statement required under (f) of this  
4 section.

5 \* Sec. 3. AS 36.90.010(b) is amended to read:

6 (b) If the state fails to make a payment due the contractor  
7 under this section within 30 days after receiving a contractor's  
8 billing and after satisfaction, if applicable, of (f) of this section,  
9 the state shall pay interest to the contractor under AS 45.45.010(a)  
10 on the amount due.

11 \* Sec. 4. AS 36.90.010 is amended by adding a new subsection to read:

12 (f) The state or a political subdivision of the state may not  
13 make a second or subsequent progress payment under a construction con-  
14 tract until the contractor provides a sworn statement that all of the  
15 subcontractors on the project have been paid for the services, mate-  
16 rials, and equipment furnished by the subcontractors for the project  
17 and that the work performed by the contractor under the contract has  
18 been inspected and approved for compliance with the contract. In this  
19 subsection, "subcontractor" means a person who has an express or  
20 implied direct contractual relationship with the contractor or with a  
21 subcontractor on the project to furnish services, materials, or  
22 equipment for the project, but does not include an employee.

23 \* Sec. 5. AS 36.90 is amended by adding a new section to read:

24 Sec. 36.90.020. NOTICE BY SUBCONTRACTOR. A person who contracts  
25 other than as an employee to furnish services, materials, or equipment  
26 for a public construction or public works project shall give the prime  
27 contractor on the project written notice of the contract within 10  
28 days of entering into the contract. In this section, "prime contrac-  
29 tor" means the person who has contracted with the state to perform the

1 project.

2 \* Sec. 6. This Act applies to contracts that are entered into on or  
3 after the effective date of this Act.  
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5-1199L (✓)  
Bannister  
2/26/88

Original sponsor: Grussendorf

1 IN THE HOUSE

2 CS FOR HOUSE BILL NO. 310 ( )  
3 IN THE LEGISLATURE OF THE STATE OF ALASKA  
4 FIFTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to public construction and public  
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14 tor within 90 days from the last date on which the person performed  
15 labor or furnished material for which the claim is made. The notice  
16 must state with substantial accuracy the amount claimed and the name  
17 of the person to whom the material was furnished or for whom the labor  
18 was performed. The notice shall be served by mailing it by registered  
19 mail, postage prepaid, in an envelope addressed to the contractor at a  
20 [ANY] place where the contractor maintains an office or conducts  
21 business, or the contractor's residence, or in a [ANY] manner in which  
22 a peace officer is authorized to serve summons. In this subsection,  
23 "subcontractor" includes a subcontractor of another subcontractor,  
24 whether or not the other subcontractor has a direct contractual rela-  
25 tionship with the contractor.

26 \* Sec. 2. AS 36.90 is amended by adding a new section to read:

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