



The State of the Arbitration Provision of the Prompt Payment Act (PPA), *NYREJ*

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The New York Prompt Payment Act (PPA) (Article 35-E of the General Business Law) which took effect on January 22, 1998, was created to protect the rights of contractors and subcontractors by requiring that payments on private construction projects over a certain amount be made within a certain time period. Although the original statute was heavily criticized by those in the industry for lacking the tools to ensure enforcement, a number of amendments were enacted in 2009 in a broad attempt to remedy the statute's ineffectiveness including, most notably, a provision for expedited arbitration with the American Arbitration Association for violations of the statute. The arbitration section of the PPA provides that a contractor or subcontractor, upon written notice of a "violation" and after an attempt to resolve the matter, may compel and refer the matter after 15 days to mandatory binding arbitration with the American Arbitration Association.