



## 104TH GENERAL ASSEMBLY

### State of Illinois

2025 and 2026

SB2845

Introduced 1/13/2026, by Sen. Michael W. Halpin

#### SYNOPSIS AS INTRODUCED:

30 ILCS 540/3-2  
30 ILCS 540/3-6  
30 ILCS 540/7

from Ch. 127, par. 132.407

Amends the State Prompt Payment Act. Makes technical changes to eliminate obsolete provisions. Provides that, if an agency incurs an interest liability that cannot be charged to the same expenditure authority account to which the related goods or services were charged due to federal prohibitions, the agency may pay the interest from any moneys appropriated to the agency that are not otherwise prohibited to be used for the purpose of paying interest. Provides that, when a State official or agency responsible for administering a contract receives a bill or invoice from a contractor, that State official or agency shall confirm the date on which the bill or invoice was received within 15 business days of receipt and shall transmit any approved amount to the Comptroller within 30 days of receipt. Provides that a State official or agency that is responsible for administering a contract submits a voucher to the Comptroller for payment, the official or agency shall make available electronically the voucher number, the date of the voucher, and the amount of the voucher within 15 days after submitting the voucher to the Comptroller (currently, that information shall be made available promptly).

LRB104 17184 HLH 30603 b

1 AN ACT concerning finance.

2 **Be it enacted by the People of the State of Illinois,**  
3 **represented in the General Assembly:**

4 Section 5. The State Prompt Payment Act is amended by  
5 changing Sections 3-2, 3-6, and 7 as follows:

6 (30 ILCS 540/3-2)

7 Sec. 3-2. Beginning July 1, 1993, in any instance where a  
8 State official or agency is late in payment of a vendor's bill  
9 or invoice for goods or services furnished to the State, as  
10 defined in Section 1, properly approved in accordance with  
11 rules promulgated under Section 3-3, the State official or  
12 agency shall pay interest to the vendor in accordance with the  
13 following:

14 (1) (Blank). ~~Any bill, except a bill submitted under~~  
15 ~~Article V of the Illinois Public Aid Code and except as~~  
16 ~~provided under paragraph (1.05) of this Section, approved~~  
17 ~~for payment under this Section must be paid or the payment~~  
18 ~~issued to the payee within 60 days of receipt of a proper~~  
19 ~~bill or invoice. If payment is not issued to the payee~~  
20 ~~within this 60 day period, an interest penalty of 1.0% of~~  
21 ~~any amount approved and unpaid shall be added for each~~  
22 ~~month or fraction thereof after the end of this 60 day~~  
23 ~~period, until final payment is made. Any bill, except a~~

1 ~~bill for pharmacy or nursing facility services or goods,~~  
2 ~~and except as provided under paragraph (1.05) of this~~  
3 ~~Section, submitted under Article V of the Illinois Public~~  
4 ~~Aid Code approved for payment under this Section must be~~  
5 ~~paid or the payment issued to the payee within 60 days~~  
6 ~~after receipt of a proper bill or invoice, and, if payment~~  
7 ~~is not issued to the payee within this 60 day period, an~~  
8 ~~interest penalty of 2.0% of any amount approved and unpaid~~  
9 ~~shall be added for each month or fraction thereof after~~  
10 ~~the end of this 60 day period, until final payment is~~  
11 ~~made. Any bill for pharmacy or nursing facility services~~  
12 ~~or goods submitted under Article V of the Illinois Public~~  
13 ~~Aid Code, except as provided under paragraph (1.05) of~~  
14 ~~this Section, and approved for payment under this Section~~  
15 ~~must be paid or the payment issued to the payee within 60~~  
16 ~~days of receipt of a proper bill or invoice. If payment is~~  
17 ~~not issued to the payee within this 60 day period, an~~  
18 ~~interest penalty of 1.0% of any amount approved and unpaid~~  
19 ~~shall be added for each month or fraction thereof after~~  
20 ~~the end of this 60 day period, until final payment is~~  
21 ~~made.~~

22 (1.05) For State fiscal year 2012 and future fiscal  
23 years, any bill approved for payment under this Section  
24 must be paid or the payment issued to the payee within 90  
25 days of receipt of a proper bill or invoice. If payment is  
26 not issued to the payee within this 90-day period, an

1 interest penalty of 1.0% of any amount approved and unpaid  
2 shall be added for each month, or 0.033% (one-thirtieth of  
3 one percent) of any amount approved and unpaid for each  
4 day, after the end of this 90-day period, until final  
5 payment is made.

6 (1.1) A State agency shall review ~~in a timely manner~~  
7 each bill or invoice within 30 days after its receipt. If  
8 the State agency determines that the bill or invoice  
9 contains a defect making it unable to process the payment  
10 request, the agency shall notify the vendor requesting  
11 payment ~~as soon as possible after discovering the defect~~  
12 ~~pursuant to rules promulgated under Section 3-3; provided,~~  
13 ~~however, that the notice for construction related bills or~~  
14 ~~invoices must be given~~ not later than 30 days after the  
15 bill or invoice was first submitted. The notice shall  
16 identify the defect and any additional information  
17 necessary to correct the defect. If one or more items on a  
18 construction related bill or invoice are disapproved, but  
19 not the entire bill or invoice, then the portion that is  
20 not disapproved shall be paid in accordance with the  
21 requirements of this Act.

22 (2) Where a State official or agency is late in  
23 payment of a vendor's bill or invoice properly approved in  
24 accordance with this Act, and different late payment terms  
25 are not reduced to writing as a contractual agreement, the  
26 State official or agency shall automatically pay interest

1 penalties required by this Section amounting to \$50 or  
2 more to the appropriate vendor. Each agency shall be  
3 responsible for determining whether an interest penalty is  
4 owed and for paying the interest to the vendor. Except as  
5 provided in paragraph (4), an individual interest payment  
6 amounting to \$5 or less shall not be paid by the State.  
7 Interest due to a vendor that amounts to greater than \$5  
8 and less than \$50 shall not be paid but shall be accrued  
9 until all interest due the vendor for all similar warrants  
10 exceeds \$50, at which time the accrued interest shall be  
11 payable and interest will begin accruing again, except  
12 that interest accrued as of the end of the fiscal year that  
13 does not exceed \$50 shall be payable at that time. In the  
14 event an individual has paid a vendor for services in  
15 advance, the provisions of this Section shall apply until  
16 payment is made to that individual.

17 (3) The provisions of Public Act 96-1501 reducing the  
18 interest rate on pharmacy claims under Article V of the  
19 Illinois Public Aid Code to 1.0% per month shall apply to  
20 any pharmacy bills for services and goods under Article V  
21 of the Illinois Public Aid Code received on or after the  
22 date 60 days before January 25, 2011 (the effective date  
23 of Public Act 96-1501) except as provided under paragraph  
24 (1.05) of this Section.

25 (4) Interest amounting to less than \$5 shall not be  
26 paid by the State, except for claims (i) to the Department

1 of Healthcare and Family Services or the Department of  
2 Human Services, (ii) pursuant to Article V of the Illinois  
3 Public Aid Code, the Covering ALL KIDS Health Insurance  
4 Act, or the Children's Health Insurance Program Act, and  
5 (iii) made (A) by pharmacies for prescriptive services or  
6 (B) by any federally qualified health center for  
7 prescriptive services or any other services.

8 Notwithstanding any provision to the contrary, interest  
9 may not be paid under this Act when: (1) a Chief Procurement  
10 Officer has voided the underlying contract for goods or  
11 services under Article 50 of the Illinois Procurement Code; or  
12 (2) the Auditor General is conducting a performance or program  
13 audit and the Comptroller has held or is holding for review a  
14 related contract or vouchers for payment of goods or services  
15 in the exercise of duties under Section 9 of the State  
16 Comptroller Act. In such event, interest shall not accrue  
17 during the pendency of the Auditor General's review.

18 (Source: P.A. 100-1064, eff. 8-24-18.)

19 (30 ILCS 540/3-6)

20 Sec. 3-6. Federal funds; lack of authority. If an agency  
21 incurs an interest liability under this Act that cannot be  
22 charged to the same expenditure authority account to which the  
23 related goods or services were charged due to federal  
24 prohibitions, the agency is authorized to pay the interest  
25 from its available appropriations from the General Revenue

1 Fund or from any other moneys appropriated to the agency and  
2 not otherwise prohibited to be used for the purpose of paying  
3 interest, except that the Department of Transportation is  
4 authorized to pay the interest from its available  
5 appropriations from the Road Fund, as long as the original  
6 goods or services were for purposes consistent with Section 11  
7 of Article IX of the Illinois Constitution.

8 (Source: P.A. 103-588, eff. 6-5-24.)

9 (30 ILCS 540/7) (from Ch. 127, par. 132.407)

10 Sec. 7. Payments to subcontractors and material suppliers.

11 (a) When a State official or agency responsible for  
12 administering a contract receives a bill or invoice from a  
13 contractor, that State official or agency shall confirm the  
14 date on which the bill or invoice was received within 15  
15 business days of receipt and shall transmit any approved  
16 amount to the Comptroller within 30 days of receipt.

17 (a-1) When a State official or agency responsible for  
18 administering a contract submits a voucher to the Comptroller  
19 for payment to a contractor, that State official or agency  
20 shall ~~promptly~~ make available electronically the voucher  
21 number, the date of the voucher, and the amount of the voucher  
22 within 15 business days of submitting the voucher to the  
23 Comptroller. The State official or agency responsible for  
24 administering the contract shall provide subcontractors and  
25 material suppliers, known to the State official or agency,

1 with instructions on how to access the electronic information  
2 on the Comptroller's website.

3 (a-5) When a contractor receives any payment, the  
4 contractor shall pay each subcontractor and material supplier  
5 electronically within 10 business days or 15 calendar days,  
6 whichever occurs earlier, or, if paid by a printed check, the  
7 printed check must be postmarked within 10 business days or 15  
8 calendar days, whichever occurs earlier, after receiving  
9 payment in proportion to the work completed by each  
10 subcontractor and material supplier its application or pay  
11 estimate, plus interest received under this Act. When a  
12 contractor receives any payment, the contractor shall pay each  
13 lower-tiered subcontractor and material supplier and each  
14 subcontractor and material supplier shall make payment to its  
15 own respective subcontractors and material suppliers. If the  
16 contractor receives less than the full payment due under the  
17 public construction contract, the contractor shall be  
18 obligated to disburse on a pro rata basis those funds  
19 received, plus interest received under this Act, with the  
20 contractor, subcontractors and material suppliers each  
21 receiving a prorated portion based on the amount of payment  
22 each has earned. When, however, the State official or agency  
23 does not release the full payment due under the contract  
24 because there are specific areas of work or materials the  
25 State agency or official has determined are not suitable for  
26 payment, then those specific subcontractors or material

1 suppliers involved shall not be paid for that portion of work  
2 rejected or deemed not suitable for payment and all other  
3 subcontractors and suppliers shall be paid based upon the  
4 amount of payment each has earned, plus interest received  
5 under this Act.

6 (a-10) For construction contracts with the Department of  
7 Transportation, the contractor, subcontractor, or material  
8 supplier, regardless of tier, shall not offset, decrease, or  
9 diminish payment or payments that are due to its  
10 subcontractors or material suppliers without reasonable cause.

11 A contractor, who refuses to make prompt payment within 10  
12 business days or 15 calendar days, whichever occurs earlier,  
13 after receiving payment, in whole or in part, shall provide to  
14 the subcontractor or material supplier and the public owner or  
15 its agent, a written notice of that refusal. The written  
16 notice shall be made by a contractor no later than 5 calendar  
17 days after payment is received by the contractor. The written  
18 notice shall identify the Department of Transportation's  
19 contract, any subcontract or material purchase agreement, a  
20 detailed reason for refusal, the value of the payment to be  
21 withheld, and the specific remedial actions required of the  
22 subcontractor or material supplier so that payment may be  
23 made. Written notice of refusal may be given in a form and  
24 method which is acceptable to the parties and public owner.

25 (b) If the contractor, without reasonable cause, fails to  
26 make full payment of amounts due under subsection (a) to its

1 subcontractors and material suppliers within 10 business days  
2 or 15 calendar days, whichever occurs earlier, after receipt  
3 of payment from the State official or agency, the contractor  
4 shall pay to its subcontractors and material suppliers, in  
5 addition to the payment due them, interest in the amount of 2%  
6 per month, calculated from the expiration of the  
7 10-business-day period or the 15-calendar-day period until  
8 fully paid. This subsection shall further apply to any  
9 payments made by subcontractors and material suppliers to  
10 their subcontractors and material suppliers and to all  
11 payments made to lower tier subcontractors and material  
12 suppliers throughout the contracting chain.

13 (1) If a contractor, without reasonable cause, fails  
14 to make payment in full as provided in subsection (a-5)  
15 within 10 business days or 15 calendar days, whichever  
16 occurs earlier, after receipt of payment under the public  
17 construction contract, any subcontractor or material  
18 supplier to whom payments are owed may file a written  
19 notice and request for administrative hearing with the  
20 State official or agency setting forth the amount owed by  
21 the contractor and the contractor's failure to timely pay  
22 the amount owed. The written notice and request for  
23 administrative hearing shall identify the public  
24 construction contract, the contractor, and the amount  
25 owed, and shall contain a sworn statement or attestation  
26 to verify the accuracy of the notice. The notice and

1 request for administrative hearing shall be filed with the  
2 State official for the public construction contract, with  
3 a copy of the notice concurrently provided to the  
4 contractor. Notice to the State official may be made by  
5 certified or registered mail, messenger service, or  
6 personal service, and must include proof of delivery to  
7 the State official.

8 (2) The State official or agency, within 15 calendar  
9 days after receipt of a subcontractor's or material  
10 supplier's written notice and request for administrative  
11 hearing, shall hold a hearing convened by an  
12 administrative law judge to determine whether the  
13 contractor withheld payment, without reasonable cause,  
14 from the subcontractors or material suppliers and what  
15 amount, if any, is due to the subcontractors or material  
16 suppliers, and the reasonable cause or causes asserted by  
17 the contractor. The State official or agency shall provide  
18 appropriate notice to the parties of the date, time, and  
19 location of the hearing. Each contractor, subcontractor,  
20 or material supplier has the right to be represented by  
21 counsel at a hearing and to cross-examine witnesses and  
22 challenge documents. Upon the request of the subcontractor  
23 or material supplier and a showing of good cause,  
24 reasonable continuances may be granted by the  
25 administrative law judge.

26 (3) Upon a finding by the administrative law judge

1           that the contractor failed to make payment in full,  
2           without reasonable cause, as provided in subsection  
3           (a-10), then the administrative law judge shall, in  
4           writing, order the contractor to pay the amount owed to  
5           the subcontractors or material suppliers plus interest  
6           within 15 calendar days after the order.

7           (4) If a contractor fails to make full payment as  
8           ordered under paragraph (3) of this subsection (b) within  
9           15 days after the administrative law judge's order, then  
10          the contractor shall be barred from entering into a State  
11          public construction contract for a period of one year  
12          beginning on the date of the administrative law judge's  
13          order.

14          (5) If, on 2 or more occasions within a  
15          3-calendar-year period, there is a finding by an  
16          administrative law judge that the contractor failed to  
17          make payment in full, without reasonable cause, and a  
18          written order was issued to a contractor under paragraph  
19          (3) of this subsection (b), then the contractor shall be  
20          barred from entering into a State public construction  
21          contract for a period of 6 months beginning on the date of  
22          the administrative law judge's second written order, even  
23          if the payments required under the orders were made in  
24          full.

25          (6) If a contractor fails to make full payment as  
26          ordered under paragraph (4) of this subsection (b), the

1 subcontractor or material supplier may, within 30 days of  
2 the date of that order, petition the State agency for an  
3 order for reasonable attorney's fees and costs incurred in  
4 the prosecution of the action under this subsection (b).  
5 Upon that petition and taking of additional evidence, as  
6 may be required, the administrative law judge may issue a  
7 supplemental order directing the contractor to pay those  
8 reasonable attorney's fees and costs.

9 (7) The written order of the administrative law judge  
10 shall be final and appealable under the Administrative  
11 Review Law.

12 (b-5) On or before July 2021, the Department of  
13 Transportation shall publish on its website a searchable  
14 database that allows for queries for each active construction  
15 contract by the name of a subcontractor or the pay item such  
16 that each pay item is associated with either the prime  
17 contractor or a subcontractor.

18 (c) This Section shall not be construed to in any manner  
19 diminish, negate, or interfere with the  
20 contractor-subcontractor or contractor-material supplier  
21 relationship or commercially useful function.

22 (d) This Section shall not preclude, bar, or stay the  
23 rights, remedies, and defenses available to the parties by way  
24 of the operation of their contract, purchase agreement, the  
25 Mechanics Lien Act, or the Public Construction Bond Act.

26 (e) State officials and agencies may adopt rules as may be

1 deemed necessary in order to establish the formal procedures  
2 required under this Section.

3 (f) As used in this Section:

4 "Payment" means the discharge of an obligation in money or  
5 other valuable consideration or thing delivered in full or  
6 partial satisfaction of an obligation to pay. "Payment" shall  
7 include interest paid pursuant to this Act.

8 "Reasonable cause" may include, but is not limited to,  
9 unsatisfactory workmanship or materials; failure to provide  
10 documentation required by the contract, subcontract, or  
11 material purchase agreement; claims made against the  
12 Department of Transportation or the subcontractor pursuant to  
13 subsection (c) of Section 23 of the Mechanics Lien Act or the  
14 Public Construction Bond Act; judgments, levies, garnishments,  
15 or other court-ordered assessments or offsets in favor of the  
16 Department of Transportation or other State agency entered  
17 against a subcontractor or material supplier. "Reasonable  
18 cause" does not include payments issued to the contractor that  
19 create a negative or reduced valuation pay application or pay  
20 estimate due to a reduction of contract quantities or work not  
21 performed or provided by the subcontractor or material  
22 supplier; the interception or withholding of funds for reasons  
23 not related to the subcontractor's or material supplier's work  
24 on the contract; anticipated claims or assessments of third  
25 parties not a party related to the contract or subcontract;  
26 asserted claims or assessments of third parties that are not

1 authorized by court order, administrative tribunal, or  
2 statute. "Reasonable cause" further does not include the  
3 withholding, offset, or reduction of payment, in whole or in  
4 part, due to the assessment of liquidated damages or penalties  
5 assessed by the Department of Transportation against the  
6 contractor, unless the subcontractor's performance or supplied  
7 materials were the sole and proximate cause of the liquidated  
8 damage or penalty.

9 (Source: P.A. 100-43, eff. 8-9-17; 100-376, eff. 1-1-18;  
10 100-863, eff. 8-14-18; 101-524, eff. 1-1-20.)