

VETO OF H.R. 1371

MESSAGE

FROM

THE PRESIDENT OF THE UNITED STATES

VETOING

H.R. 1371, AN ACT AMENDING SECTION 12 OF THE CONTRACT
DISPUTES ACT OF 1978



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To the House of Representatives:

I am returning without my approval H.R. 1371, a bill "To amend section 12 of the Contract Disputes Act of 1978."

H.R. 1371 would require the Federal Government to pay interest to contractors on claims in excess of \$50,000 without regard to the date the claims are certified, as now required by section 6(c) of the Contract Disputes Act. The bill would also require the Secretary of the Treasury to determine interest rates to be paid contractors, taking into account the rates of interest on current commercial loans maturing in approximately five years.

The payment of interest by the Government on contractual claims has a long history. Traditionally, the Government's sovereign immunity has barred interest payments unless the terms of a specific statute or contract required it. Among other reforms suggested by the Commission on Government Procurement in 1972 was a recommendation that the Federal Government pay interest on contractual claims. As a result of this recommendation, Congress passed the Contract Disputes Act of 1978.

I have no objection to the language in H.R. 1371 concerning the way in which interest rates on contractual claims against the Government are determined. I strongly object, however, to other language in the bill that would amend the Contract Disputes Act to require that interest on a claim run from the time a claim is submitted without regard to the date of certification of the contractor's claim. This provision is inconsistent with the purpose of the certification requirement of the Contract Disputes Act. That requirement is intended to discourage the submission of inflated claims against the Government by requiring contractors to certify that their claims are made in good faith and are accurate and complete to the best of their knowledge.

By permitting interest to run from the date a claim is submitted, instead of from the date of certification, as current law provides, H.R. 1371 could result in a large increase in Governmental obligations without any corresponding benefit to the claims resolution process so carefully established in the Contract Disputes Act. For this reason, and considering that there have been no hearings or studies conducted addressing the need for such a substantial departure from existing law, I find the bill unacceptable.

RONALD REAGAN.

THE WHITE HOUSE, *October 15, 1982.*