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Star Equipment, Ltd. v. State, Iowa Dept. of Transp.

Supreme Court of Iowa - January 31, 2014 - N.W.2d - 2014 WL 346521

Subcontractors of "targeted small business" (TSB) filed suit against TSB, Department of Transportation (DOT), and other subcontractors, seeking to recover from DOT the unpaid balances the TSB owed subcontractors for work they had done on public construction contracts governing improvements to rest areas along interstate highway. TSB defaulted. DOT filed motion to dismiss or strike the subcontractors' claims against it for amounts that exceeded the retainage. The District Court granted motion to extent they exceeded retained funds, and granted summary judgment against TSB. Subcontractors appealed.

The Supreme Court of Iowa held that:

- In a matter of first impression, statute providing that if bond requirement for a TSB is waived, an entity having a contract with the TSB is entitled to any remedy provided under statute governing labor and material on public improvements to collect funds owed on contract constituted a waiver of sovereign immunity that allowed subcontractors to recover from DOT the unpaid balances TSB owed to subcontractors;
- In a matter of first impression, statute providing that if bond requirement for a TSB is waived, an entity having a contract with the TSB is entitled to any remedy provided under statute governing labor and material on public improvements to collect funds owed on contract did not violate provision of State Constitution prohibiting the state's credit to be given or loaned to, or in aid of, any individual, association, or corporation; and
- Subcontractors, as prevailing parties, were entitled to reasonable attorney fees.

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