

PUBLIC WORKS CONTRACTORS' BOND LAW OF 1967 - DUTY OF PRIME
CONTRACTOR TO PROVIDE FINANCIAL SECURITY IN CERTAIN CONTRACTS
INVOLVING PUBLIC WORKS AND PUBLIC IMPROVEMENTS

Act of Oct. 29, 2020, P.L. 727, No. 86

Cl. 62

Session of 2020
No. 2020-86

HB 885

AN ACT

Amending the act of December 20, 1967 (P.L.869, No.385),
entitled "An act establishing a uniform and mandatory system
governing the requirement of bonds to be furnished by
contractors in the prosecution of any public building, or
other public work or public improvement, including road work;
the rights and remedies of persons furnishing labor or
material in the prosecution of such public building, public
work or public improvement, including road work; procedure
in connection with suits on payment bonds; rights of persons
furnishing labor or materials to a copy of bond; prescribing
penalties; and repealing other prior acts or provisions
thereof inconsistent herewith," further providing for duty
of prime contractor to provide financial security in certain
contracts involving public works and public improvements.

The General Assembly of the Commonwealth of Pennsylvania
hereby enacts as follows:

Section 1. Section 3.1(a) of the act of December 20, 1967
(P.L.869, No.385), known as the Public Works Contractors' Bond
Law of 1967, is amended to read:

Section 3.1. (a)--Before any contract exceeding ten thousand
dollars (\$10,000) for the construction, reconstruction,
alteration or repair of any public building or other public
work or public improvement, including highway work, of any
contracting body is awarded to any prime contractor, such
contractor shall furnish to the contracting body the following
financial security, which shall become binding upon the awarding
of said contract to such contractor:

(1) [Any financial security, acceptable to and approved by
the contracting body, including, but not limited to,] **A**
performance bond, Federal or Commonwealth chartered lending
institution irrevocable [letters] **letter** of credit [and] **or**
restrictive or escrow [accounts] **account** in such lending
[institutions] **institution**, equal to one hundred percent of the
contract amount, conditioned upon the faithful performance of
the contract in accordance with the plans, specifications and
conditions of the contract. Such financial security shall be
solely for the protection of the contracting body which awarded
the contract.

(2) [Any financial security, acceptable to and approved by
the contracting body, including, but not limited to,] **A payment**
bond, Federal or Commonwealth chartered lending institution
irrevocable [letters] **letter** of credit [and] **or** restrictive or
escrow [accounts] **account** in such lending [institutions]
institution, equal to one hundred percent of the contract
amount. Such financial security shall be solely for the
protection of claimants supplying labor or materials to the
prime contractor to whom the contract was awarded, or to any
of his subcontractors, in the prosecution of the work provided

for in such contract, and shall be conditioned for the prompt payment of all such material furnished or labor supplied or performed in the prosecution of the work. "Labor or materials" shall include public utility services and reasonable rentals of equipment, but only for periods when the equipment rented is actually used at the site.

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Section 2. This act shall take effect in 60 days.

APPROVED--The 29th day of October, A.D. 2020.

TOM WOLF