



# HOUSE COMMITTEE ON APPROPRIATIONS

## FISCAL NOTE

HOUSE BILL NO. 885

PRINTERS NO. 4075

PRIME SPONSOR: Gaydos

### COST / (SAVINGS)

| FUND                        | FY 2020/21 | FY 2021/22 |
|-----------------------------|------------|------------|
| Commonwealth Funds          | \$0        | \$0        |
| Political Subdivision Funds | \$0        | \$0        |

**SUMMARY:** Amends the Public Works Contractors' Bond Law to tighten the requirements for acceptable financial securities required for projects. This legislation would take effect in 60 days.

**ANALYSIS:** This legislation amends the Public Works Contractors' Bond Law to remove the ability of contracting bodies to accept alternative securities when signing contracts for projects.

This legislation removes the ability of contracting bodies to accept alternative securities and limits contracting bodies to the following acceptable options:

- Performance Bonds
- Federal or Commonwealth chartered lending institution irrevocable letter of credit
- Funds in an escrow or restrictive account in a lending institution

The contractor must secure two of the approved financial security options:

- One equal to 100% of the contract amount, conditioned on the performance of the contract. This is for the protection of the governing body that awarded the contract.
- One equal to 100% of the contract amount, to cover the cost of materials and labor. This is for the protection of the subcontractor, against failure to receive payment from the prime contractor.

**FISCAL IMPACT:** This legislation would have no adverse fiscal impact on Commonwealth or political subdivision funds.

**PREPARED BY:** Tim Rodrigo  
House Appropriations Committee (R)

**DATE:** July 7, 2020

*Estimates are calculated using the best information available. Actual costs and revenue impact incurred may vary from estimates.*