

**SENATE APPROPRIATIONS COMMITTEE
FISCAL NOTE**

BILL NO. Senate Bill 1189

PRINTER'S NO. 1619

AMOUNT

No Fiscal Impact

FUND

General Fund

DATE INTRODUCED

November 27, 2013

PRIME SPONSOR

Senator Eichelberger

DESCRIPTION AND PURPOSE OF BILL

Senate Bill 1189 amends the Public Works Contractors' Bond Law of 1967 to require one hundred percent security from a contractor prior to the awarding of a contract for the construction, reconstruction, alteration or repair of any public building or other public work or public improvement where the contract exceeds \$10,000.

The Public Works Contractor's Bond Law of 1967 establishes 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. Under current law, the posting of "any financial security, acceptable to and approved by the contracting body..." has enabled projects to go forward at the local level with inadequate security.

The legislation amends the law to eliminate the "any financial security..." language, and it provides that there must be security at 100% of the contract amount on behalf of the government entity. Senate Bill 1189 requires the designation of a performance bond, a payment bond, an irrevocable letter of credit, or a restrictive or escrow account as acceptable security.

The act shall take effect in 60 days.

FISCAL IMPACT:

Senate Bill 1189 will have no adverse fiscal impact on Commonwealth or local funds.

The legislation eliminates alternative security instruments, which do not adequately protect local governments when public projects go bad. Because the legislation requires security equal to the contract amount in the form of a performance bond, payment bond, irrevocable letter of credit, or escrow account, Senate Bill 1189 may prevent local government units from losing money because of inadequate security on public projects.