

SENATE APPROPRIATIONS COMMITTEE FISCAL NOTE

BILL NO. House Bill 885

PRINTER NO. 4075

AMOUNT

No Fiscal Impact

FUND

General Fund

DATE INTRODUCED

March 25, 2019

PRIME SPONSOR

Representative Gaydos

DESCRIPTION

House Bill 885 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. House Bill 885 requires the designation of a performance bond, a payment bond, an irrevocable letter of credit, or a restrictive or escrow account as acceptable security.

FISCAL IMPACT:

House Bill 885 will have no 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, House Bill 885 may prevent local government units from losing money because of inadequate security on public projects.