

## Department of Planning and Budget 2002 Fiscal Impact Statement

1. **Bill Number** HB851

**House of Origin**     Introduced     Substitute     Engrossed  
**Second House**     In Committee     Substitute     Enrolled

2. **Patron**    Albo

3. **Committee**    Passed Both Houses

4. **Title**    Public Procurement Act; performance and payment bonds.

5. **Summary/Purpose:** This legislation clarifies that upon the award of any contract by a public body for the performance of labor or the furnishing of materials for buildings, structures, or other improvements to real property owned by or leased by that public body, a prime contractor must supply that public body with a performance bond in the amount of the contract sum and a payment bond in the amount of the contract sum. A performance bond protects a public body against the prime contractor's failure to comply with the plans, specifications, and conditions of the contract. A payment bond ensures those persons or vendors who supply the prime contractor with labor or materials will be paid for that labor or material.

6. **No Fiscal Impact.**

7. **Budget amendment necessary: No.**

8. **Fiscal implications:** According to the Department of General Services' Division of Purchases and Supply, which is responsible for overseeing the Commonwealth's procurement policies and practices, this legislation provides an additional level of security to public bodies that have awarded contracts for the performance of labor or the furnishing of materials for buildings, structures, or improvements to other real property those public bodies lease. Previously, the division's staff report that performance and payment bonds were usually only required when prime contractors provided labor or materials for buildings, structures, or improvements to other real property actually owned by the Commonwealth.

9. **Specific agency or political subdivisions affected:** This legislation affects all public bodies of the Commonwealth.

10. **Technical amendment necessary: No.**

11. **Other comments:** None.

**Date:** 03/08/02/PXV

**Document:** G:\2002 Legislation\House bills\HB851.Doc

cc: Secretary of Administration