

**Department of Planning and Budget
2004 Fiscal Impact Statement**

1. Bill Number HB147

House of Origin Introduced Substitute Engrossed

Second House In Committee Substitute Enrolled

2. Patron Hargrove

3. Committee General Laws

4. Title Payment and Performance Contracts Required in Private Construction Projects

5. Summary/Purpose:

Requires that within ten calendar days of the execution of any contract exceeding \$250,000, the prime contractor shall furnish to the owner either (i) a performance bond in the sum of the contract amount conditioned upon the faithful performance of the construction contract by the prime contractor in strict conformity with the plans, specifications and conditions of the contract or (ii) a payment bond in the sum of the contract amount. The bond shall be for the protection of claimants who have and fulfill contracts to supply labor or materials to the prime contractor to whom the contract was awarded, or to any subcontractors, in furtherance of the work provided for in the contract, and shall be conditioned upon the prompt payment for all materials furnished or labor supplied or performed in the furtherance of the work. The bill specifies the procedure for making claims against such bonds.

6. Fiscal Impact could not be determined (see Item 8).

7. Budget amendment necessary: No

8. Fiscal implications: This proposal addresses contract issues between a private owner and his prime contractor. It will have no effect on public sector construction contracts. The requirements of this proposal could, however, result in additional court cases. The number of potential additional court cases or their costs cannot be determined.

9. Specific agency or political subdivisions affected: Associated General Contractors, Courts System

10. Technical amendment necessary: No

11. Other comments: None

Date: 01/13/04 / amk

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cc: Secretary of Administration