

## Department of Planning and Budget 2006 Fiscal Impact Statement

**1. Bill Number** HB1259

<b>House of Origin</b>	<input checked="" type="checkbox"/> Introduced	<input type="checkbox"/> Substitute	<input type="checkbox"/> Engrossed
<b>Second House</b>	<input type="checkbox"/> In Committee	<input type="checkbox"/> Substitute	<input type="checkbox"/> Enrolled

**2. Patron** Janis

**3. Committee** Pending

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

**5. Summary/Purpose:**

Adds a provision that for the award of any construction contract exceeding \$100,000 in which the performance of labor or the furnishing of materials will be paid with public funds, the contractor must furnish to the public body performance and payment bonds. In addition, the bill provides that performance and payment bonds are required for construction contracts exceeding \$100,000 awarded to any prime contractor requiring the performance of labor or the furnishing of materials for buildings, structures, or other improvements to real property leased by a public body.

**6.** Fiscal impact cannot be determined. See Item 8.

**7. Budget amendment necessary:** No

**8. Fiscal implications:** This proposal adds the requirement to obtain performance and payment bonds for construction projects undertaken in spaces leased by public agencies. There is a cost to contractors to obtain these bonds. This cost, which normally gets passed on to the contracting public agency, is about one percent per type of bond. For a \$100,000 contract, the contractor costs would be about \$3,000.

**9. Specific agency or political subdivisions affected:** All public bodies.

**10. Technical amendment necessary:** No

**11. Other comments:** HB 64 would raise the threshold from \$100,000 to \$500,000.

**Date:** 01/17/06 / amk

**Document:** G:\Efis 2006\Hb1259.Doc Al Kruschwitz

**cc:** Secretary of Administration