

Department of Planning and Budget 2006 Fiscal Impact Statement

1. Bill Number HB64

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

2. Patron Purkey

3. Committee Pending

4. Title Performance and payment bonds; increases amount of required bid.

5. Summary/Purpose:

Increases the monetary threshold for which bid, payment, and performance bonds are required from \$100,000 to \$500,000 for construction projects. Public bodies would still retain the discretionary authority to require a bid, payment, or performance bond for construction costing less than \$500,000.

6. Fiscal Impact is not available. See Item 8.

7. Budget amendment necessary: No

8. Fiscal implications: Currently, there is a cost to contractors to obtain bid, payment, and/or performance bonds. This cost, which is about one percent of the contract value for each of three bond types, could range from \$1,000 - \$5,000 per bond. The cost is normally passed along in some fashion to the government entity.

Under this proposal, there is no extra cost to government entities and in the competitive environment there is potential for savings, but no guaranteed savings. By raising the construction cost threshold as proposed, there is a possibility of the government entity's costs being reduced for small construction projects.

9. Specific agency or political subdivisions affected: Any government entity procuring construction services that cost more than \$100,000.

10. Technical amendment necessary: No

11. Other comments: None.

Date: 01/10/06 /amk

Document: G:\Efis 2006\Hb64.Doc Al Kruschwitz

cc: Secretary of Administration