

Department of Planning and Budget 2006 Fiscal Impact Statement

1. Bill Number HB64

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

2. Patron Purkey

3. Committee Passed Both Houses

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

5. Summary/Purpose:

Increases the monetary threshold for which bid, performance, and payment bonds are required from \$100,000 to \$250,000 for transportation-related construction projects partially or wholly funded by the Commonwealth. Public bodies would still retain the discretionary authority to require a bid, payment, or performance bond for construction costing less than \$100,000 or for transportation-related construction projects costing less than \$250,000.

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 type bond for the transportation-related projects, could range from \$1,000 - \$2,500 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 for transportation-related projects as proposed, there is a possibility of the government entity's costs being reduced slightly for small construction projects.

9. Specific agency or political subdivisions affected: Agencies that procure transportation-related construction services that cost between \$100,000 and \$250,000.

10. Technical amendment necessary: No

11. Other comments: None.

Date: 03/16/06 /amk

Document:

cc: Secretary of Administration, Secretary of Transportation

