

## Department of Planning and Budget 2011 Fiscal Impact Statement

**1. Bill Number:** HB1951

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

**2. Patron:** Villanueva, R.

**3. Committee:** General Laws

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

**5. Summary:** Except in cases of emergency, all bids or proposals for nontransportation-related construction contracts in excess of \$500,000 or transportation-related projects authorized under § [33.1-12](#) that are in excess of \$250,000 and partially or wholly funded by the Commonwealth shall be accompanied by a bid bond from a surety company selected by the bidder that is authorized to do business in Virginia, as a guarantee that if the contract is awarded to the bidder, he will enter into the contract for the work mentioned in the bid. The amount of the bid bond shall not exceed five percent of the amount bid.

For nontransportation-related construction contracts in excess of \$100,000 but less than \$500,000, where the bid bond requirements are waived, prospective contractors shall be prequalified for each individual project in accordance with § [2.2-4317](#).

**6. Budget Amendment Necessary:** No

**7. Fiscal Impact Estimates:**

**7a. Expenditure Impact:** Cannot be determined, see question 8.

**8. Fiscal Implications:** This bill allows public bodies increased flexibility to determine when bid, performance, or payment bonds are required for construction projects. When a contractor has to purchase bonds those costs are included in the price the Commonwealth has to pay for the project. This bill also has the potential to increase competition for projects because smaller contractors that have difficulty securing bonds at reasonable prices because of the size and resources of the firm would be able to participate in state work. Not requiring bonds on some smaller projects may save the Commonwealth money through lower project bids, as a result of increased competition, without a significant increase in risk.

**9. Specific Agency or Political Subdivisions Affected:** Any public body and contractors performing construction projects under \$1 million

**10. Technical Amendment Necessary:** No

**11. Other Comments:** None

**Date:** 2/7/11

c: Secretary of Administration