



Senate

General Assembly

File No. 30

January Session, 2005

Senate Bill No. 653

Senate, March 16, 2005

The Committee on General Law reported through SEN. COLAPIETRO of the 31st Dist., Chairperson of the Committee on the part of the Senate, that the bill ought to pass.

AN ACT INCREASING THE CONTRACT AMOUNT FOR WHICH A MUNICIPALITY MUST RECEIVE A BOND ON A CONSTRUCTION OR PUBLIC WORKS PROJECT.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Section 49-41 of the general statutes is repealed and the
2 following is substituted in lieu thereof (*Effective October 1, 2005*):

3 (a) Each contract exceeding [fifty] one hundred thousand dollars in
4 amount for the construction, alteration or repair of any public building
5 or public work of the state or of any subdivision thereof shall include a
6 provision that the person to perform the contract shall furnish to the
7 state or the subdivision on or before the award date, a bond in the
8 amount of the contract which shall be binding upon the award of the
9 contract to that person, with a surety or sureties satisfactory to the
10 officer awarding the contract, for the protection of persons supplying
11 labor or materials in the prosecution of the work provided for in the
12 contract for the use of each such person, provided no such bond shall
13 be required to be furnished (1) in relation to any general bid in which

14 the total estimated cost of labor and materials under the contract with
 15 respect to which such general bid is submitted is less than fifty
 16 thousand dollars, (2) in relation to any sub-bid in which the total
 17 estimated cost of labor and materials under the contract with respect to
 18 which such sub-bid is submitted is less than fifty thousand dollars, or
 19 (3) in relation to any general bid or sub-bid submitted by a consultant,
 20 as defined in section 4b-55. Any such bond furnished shall have as
 21 principal the name of the person awarded the contract.

22 (b) Nothing in this section or sections 49-41a to 49-43, inclusive,
 23 shall be construed to limit the authority of any contracting officer to
 24 require a performance bond or other security in addition to the bond
 25 referred to in subsection (a) of this section, except that no such officer
 26 shall require a performance bond in relation to any general bid in
 27 which the total estimated cost of labor and materials under the contract
 28 with respect to which such general bid is submitted is less than
 29 twenty-five thousand dollars or in relation to any sub-bid in which the
 30 total estimated cost of labor and materials under the contract with
 31 respect to which such sub-bid is submitted is less than fifty thousand
 32 dollars.

33 (c) No contract for the construction, alteration or repair of any
 34 public building or public work of the state or of any subdivision
 35 thereof that requires a person to supply the state or subdivision with a
 36 bond may include a provision that requires the person to obtain the
 37 bond from a specific surety, agent, broker or producer. No contracting
 38 officer may require that a bond be obtained from a specific surety,
 39 agent, broker or producer.

This act shall take effect as follows and shall amend the following sections:		
Section 1	October 1, 2005	49-41

GL *Joint Favorable*

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either House thereof for any purpose:

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 06 \$	FY 07 \$
Public Works - Bond Funds	GF - Savings	Minimal	Minimal

Note: GF=General Fund

Municipal Impact:

Municipalities	Effect	FY 06 \$	FY 07 \$
Various Municipalities	Savings	Minimal	Minimal

Explanation

Raising the threshold for purchasing a payment guarantee bond from \$50,000 to \$100,000 will result in a minimal savings in the cost of construction projects in this range. Normally, the cost of purchasing the bond is included in the cost of the project so raising the threshold will minimally reduce the cost of the project. The savings to the state would be in the area of bond funds because construction projects are generally funded with General Obligation bonds.

The potential liability to the state in the event that a contractor with a contract between \$50,000 and \$100,000 failed to pay subcontractors, suppliers or employees is considered to be very minimal by the Department of Public Works. The agency has indicated that a situation of this type has never occurred for a contract below \$50,000 (the current threshold.)

OLR Bill Analysis

SB 653

AN ACT INCREASING THE CONTRACT AMOUNT FOR WHICH A MUNICIPALITY MUST RECEIVE A BOND ON A CONSTRUCTION OR PUBLIC WORKS PROJECT.**SUMMARY:**

This bill raises, from \$50,000 to \$100,000, the threshold above which a state or municipal construction contract must require the contractor to furnish a bond to guarantee payment to subcontractors providing labor or material. The requirement applies to contracts for constructing, altering, or repairing state or municipal buildings or public works projects.

EFFECTIVE DATE: October 1, 2005

COMMITTEE ACTION

General Law Committee

Joint Favorable Report

Yea 12 Nay 0