



SB 1051

165 Capitol Avenue
Hartford, CT 06106-1658

An Act Establishing Alternative Prequalification Requirements For Emerging Subcontractors

Planning & Development Committee
March 18, 2013

Senate Bill 1051, "An Act Establishing Alternative Prequalification Requirements For Emerging Subcontractors" defines "emerging contractor" as any subcontractor not prequalified pursuant to C.G.S. §4a-100 and who is unable to obtain bonding. The proposal would require DAS to create an alternative prequalification process for these subcontractors that removes the financial and bonding requirements and replaces it with three years of income tax returns.

DAS has serious concerns about this proposal. Under the current law, any person seeking to bid or perform work on a public works contract with the state or a municipality that is estimated to cost more than five hundred thousand dollars and is funded, in whole or in part, by state funds must be prequalified by DAS. It should be emphasized that there is one single prequalification standard; there is not one standard for contractors and another standard for subcontractors. This single standard is appropriate because (unlike bidding) prequalification is not project-specific. Indeed, one company could very easily act as a contractor for one project and a subcontractor on another project. The separate standards proposed in Senate Bill 1051 would be more complicated and time-consuming for DAS to administer and would make the prequalification process more confusing for construction companies and awarding authorities.

Sub-section (c) of this bill eliminates the need for a subcontractor to provide a statement of financial condition and a bonding company letter stating the applicant's aggregate work capacity and single project limit. This poses a serious problem for DAS because DAS relies on that documentation to determine the applicant's aggregate work capacity (AWC) and thus, what fee and level of prequalification would be appropriate. Tax returns do not provide sufficient information regarding a company's financial condition. Moreover, DAS does not possess the expertise in-house to make determinations about applicants' work capacity.

DAS understands that some companies have expressed concerns about the existing prequalification requirements. We have worked with the Legislature and vested stakeholders to address their concerns by developing legislation in 2011 to allow a company's affiliation with a certified community financial development institution as a substitute for the statements of financial condition. We are happy to continue these conversations; however, we believe it is important to maintain the core provisions of the prequalification requirements in order to insure that qualified general contractors and subcontractors are working on capital projects.

Thank you for the opportunity to submit comment on this bill. Please feel free to contact Terrence Tulloch-Reid if the Committee has any questions.