

BILL ANALYSIS

Senate Research Center

S.B. 515
By: Ogden
Infrastructure
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As Filed

DIGEST

Currently, a public works contractor must execute a performance bond if the contract lets for more than \$100,000. A performance bond protects a public entity, by requiring an amount equal to the contract and conditioned on the faithful performance of the work. A contractor typically buys a bond from an insurer backed by the contractor's assets to lay against the requirement.

In fiscal year 1998, over \$80,000 of re-let Department of Transportation (TxDOT) projects could have been saved if the performance bond contract minimum had been set at \$25,000. A contractor must pay a payment bond on contracts above \$25,000. The addition of a performance bond does not usually add to a contractor's cost. According to surety companies and highway contractors surveyed by the TxDOT, a payment bond in the amount of \$25,000 or more costs a company the same to purchase both a payment and performance bond. Costs overall are reimbursed to the company via the contractor's bid. S.B. 515 would require a performance bond to be posted for state highway improvement contracts in excess of \$25,000.

PURPOSE

As proposed, S.B. 515 requires a performance bond to be posted for state highway improvement contracts in excess of \$25,000.

RULEMAKING AUTHORITY

This bill does not grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 223.006, Transportation Code, to provide that the provisions of Chapter 2253, Government Code, apply to a bond required by this section except that the Texas Department of Transportation shall require a successful bidder to post a performance bond if the contract is in excess of \$25,000. Deletes the requirement that a required bond be in an amount provided by law.

SECTION 2. Effective date: September 1, 1999.
Makes application of this Act prospective.

SECTION 3. Emergency clause.