

BILL ANALYSIS

Senate Research Center
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S.B. 1580
By: Wentworth
Infrastructure Development and Security
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DIGEST AND PURPOSE

Currently, state law requires private maintenance contractors for the Texas Department of Transportation to post a performance bond for the life of their contracts. Most of these contracts are five to 10 years in length, making it difficult for contractors to obtain bonds for the life of the project. As proposed, S.B. 1580 allows contractors to obtain an annual term bond for the amount of one year's work and requires renewal of the bond annually. This bill also establishes the requirements of the bond and the consequences of not posting the required bond.

RULEMAKING AUTHORITY

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

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 223.042, Transportation Code, by adding Subsections (i), (j), and (k), as follows:

(i) Requires a private sector contractor that has been awarded a contract under this section to post a bond securing the contractor's performance under that contract, before beginning work. Requires the contractor to post a bond annually, if the contract covers more than one year, in an amount equal to that paid to the contractor over the life of the contract, excluding penalties and bonuses, divided by the number of years covered by the contract, notwithstanding any other law, including Chapter 2253 (Public Work Payment and Performance Bonds), Government Code.

(j) Requires a bond posted under Subsection (i) to meet certain requirements.

(k) Provides that the failure to post a bond as required of a private sector contractor, if awarded a contract under this section, terminates the contract and excuses the Texas Department of Transportation from any future performance under the contract. Specifies the liability of a surety that issues a bond required under this subsection.

SECTION 2. (a) Effective date: upon passage or September 1, 2003.

(b) Makes application of this Act prospective. Provides that Section 223.042 (Privatization of Maintenance Contracts), Transportation Code, as amended by this Act, applies to the renewal of a contract described by this subsection.