Washington State
House of Representatives
Office of Program Research

BILL ANALYSIS

Capital Budget Committee

HB 1575

Brief Description: Regulating retainage bonds on public contracts.

Sponsors: Representatives Buys, Dunshee, DeBolt and Stanford.

Brief Summary of Bill

- Clarifies that all contract retainage bonds must comply with statute.
- Requires an A-minus or better rating for a retainage bond provider.

Hearing Date: 2/6/15

Staff: Steve Masse (786-7115).

Background:

A surety bond is a promise to pay one party a certain amount if a second party fails to meet some obligation, such as fulfilling the terms of a contract.

Retainage bonds are a type of bond that protects the obligee after a construction project is complete. They guarantee that the principal contractor will carry out all necessary work to correct structural and/or other defects discovered immediately after completion of the contract, even if full payment has been made to the principal. Typically retainage ranges from 2% to 5% of the contract amount.

The Office of the Insurance Commissioner is responsible for overseeing the regulation of surety insurance. Under current law, a surety bond must be approved and accepted by a court, public official, or public body if it is proper and guaranteed by an authorized surety insurer.

Summary of Bill:

All retainage bonds that are executed, posted, or given as security are required to comply with statute. An A-minus or better rating is required for a surety insurer providing a retainage bond.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.