

# HOUSE BILL REPORT

## HB 1575

---

**As Reported by House Committee On:**  
Capital Budget

**Title:** An act relating to retainage bonds on public contracts.

**Brief Description:** Regulating retainage bonds on public contracts.

**Sponsors:** Representatives Buys, Dunshee, DeBolt and Stanford.

**Brief History:**

**Committee Activity:**

Capital Budget: 2/6/15, 2/10/15 [DPS].

**Brief Summary of Substitute Bill**

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

---

### HOUSE COMMITTEE ON CAPITAL BUDGET

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 9 members: Representatives Dunshee, Chair; Stanford, Vice Chair; DeBolt, Ranking Minority Member; Smith, Assistant Ranking Minority Member; Kilduff, Kochmar, Peterson, Riccelli and Walsh.

**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 percent of the contract amount.

---

*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.*

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 Substitute Bill:**

All retainage bonds that are executed, posted, or given as security are required to comply with statute. A public body may require up to an A-minus rating for retainage bonds.

**Substitute Bill Compared to Original Bill:**

The original bill required an A-minus or better rating to be approved by a public body. The substitute bill requires that a public body may require up to an A-minus rating, but not higher than that.

---

**Appropriation:** None.

**Fiscal Note:** Available.

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

**Staff Summary of Public Testimony:**

(In support) Providing a retainage bond with an A-minus or less will benefit the public body and help small contractors.

(Opposed) None.

**Persons Testifying:** Gary Strannigan, Safeco and Liberty Mutual; and Duke Shaub, Associated General Contractors of Washington.

**Persons Signed In To Testify But Not Testifying:** None.