FINAL BILL REPORT
SHB 1575

C 280 L 15
Synopsis as Enacted

Brief Description: Regulating retainage bonds on public contracts.

Sponsors: House Committee on Capital Budget (originally sponsored by Representatives Buys, Dunshee, DeBolt and Stanford).

House Committee on Capital Budget
Senate Committee on Ways & Means
Senate Committee on Financial Institutions & Insurance

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 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.

For public improvement contracts, a contractor may submit a retainage bond in a form acceptable to a public body and from a bonding company meeting the public body's standards. The public body must accept such a bond, unless it can demonstrate good cause for not accepting it.

The Office of the Insurance Commissioner oversees the regulation of surety insurance. 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:

For public improvement contracts, a contractor may submit a retainage bond in a form acceptable to a public body and from an authorized surety insurer. The public body must accept the bond if it is proper and guaranteed by the surety insurer. The ability of the public

---

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.

body to refuse to accept the bond for good cause is eliminated. A public body may require up to an A-minus rating for retainage bonds.

Votes on Final Passage:

House	98	0
Senate	49	0

Effective: July 24, 2015