

HOUSE BILL REPORT

SHB 1575

As Passed Legislature

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

Brief Description: Regulating retainage bonds on public contracts.

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

Brief History:

Committee Activity:

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

Floor Activity:

Passed House: 3/5/15, 98-0.

Passed Senate: 4/13/15, 49-0.

Passed Legislature.

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.

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.

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.

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.

Appropriation: None.

Fiscal Note: Available.

Effective Date: 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.