**Washington State**
**House of Representatives**
**Office of Program Research**

# BILL ANALYSIS

# Transportation Committee

# HB 2317

**Brief Description**: Concerning contractor bonding requirements for public transportation benefit areas and passenger-only ferry service districts.

**Sponsors**: Representatives Appleton, Muri, Fey, Fitzgibbon, Tarleton, Griffey and Young.

**Brief Summary of Bill**

- Allows public transportation benefit areas (PTBAs) and passenger-only ferry (POF) service districts to determine the amount of the surety bond required on their contracts, so long as the amount is greater than 25 percent of the contract price.
- Allows PTBAs and POF service districts to require alternative forms of security, other than surety bonds, for the construction, maintenance, or repair of a marine vessel.

**Hearing Date**: 1/15/18

**Staff**: David Munnecke (786-7315).

**Background**:

A surety bond is a three-way contract in which a bonding company, or surety, agrees to guarantee the public entity that the contractor will perform its obligations under the contract and will make all payments to subcontractors, workers, and suppliers. The bond covers both performance and payment. If the contractor defaults in the performance of the contract or fails to fully pay subcontractors, suppliers, and workers, the surety becomes liable to provide bond funds to complete the contract or pay unpaid subcontractors, suppliers, or workers.

Public works contracts are generally required to have a surety bond equal to the full contract price. Cities and towns, however, may set the amount of a surety bond on a public works contract by ordinance, so long as the amount of the bond is greater than 25 percent of the contract price.

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*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.*

On contracts for the construction, maintenance, or repair of marine vessels, the Washington State Department of Transportation and counties may substitute alternative forms of security in lieu of a surety bond. These alternative forms of securities are defined as:

- certified checks;
- replacement bonds;
- cashier's checks;
- treasury bills;
- irrevocable bank letters of credit;
- assignment of a savings account; or
- other liquid assets approved by the Secretary of Transportation or county.

The Secretary of Transportation or county engineer is required to predetermine and provide, in the bid package, the amount of the alternative security or bond. The bond or alternative security must be in an amount adequate to protect 100 percent of the exposure to loss.

Prior to awarding any contract limiting security for the county's exposure to loss, a county must develop and adopt an ordinance that establishes the procedure for determining the county's exposure to loss on contracts for construction, maintenance, or repair of a marine vessel.

**Summary of Bill**:

Public transportation benefit areas (PTBAs) and passenger-only ferry (POF) service districts are allowed to determine the amount of the surety bond required on contracts, so long as the amount is greater than 25 percent of the contract price.

The PTBAs and POF service districts may require alternative forms of security, other than surety bonds, for the construction, maintenance, or repair of a marine vessel. The bond or alternative security must be in an amount adequate to protect 100 percent of the exposure to loss. Prior to awarding any contract limiting security to the PTBA's or POF service district's exposure to loss, the governing board of a PTBA or POF service district must develop and adopt an ordinance that establishes the procedure for determining the county's exposure to loss on contracts for construction, maintenance, or repair of a marine vessel.

**Appropriation**: None.

**Fiscal Note**: Requested on January 14, 2018.

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