FINAL BILL REPORT
SHB 2317

C 89 L 18
Synopsis as Enacted

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

Sponsors: House Committee on Transportation (originally sponsored by Representatives Appleton, Muri, Fey, Fitzgibbon, Tarleton, Griffey and Young).

House Committee on Transportation
Senate Committee on Transportation

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, or 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.

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.

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 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:

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 or resolution that establishes the procedure for determining the county's exposure to loss on contracts for construction, maintenance, or repair of a marine vessel.

Votes on Final Passage:

House	53	45
Senate	41	7

Effective: March 15, 2018