

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE FISCAL NOTE

BILL NUMBER: Senate Bill 1084 (First Edition)

SHORT TITLE: Public Construction Surety Bonds.

SPONSOR(S): Senator Jenkins

FISCAL IMPACT					
	Yes ()	No (X)	No Estimate Available ()		
	<u>FY 2004-05</u>	<u>FY 2005-06</u>	<u>FY 2006-07</u>	<u>FY 2007-08</u>	<u>FY 2008-09</u>
REVENUES					
EXPENDITURES					
POSITIONS: (cumulative)					
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED:	All state and local governments letting construction contracts.				
EFFECTIVE DATE:	This act becomes effective July 1, 2004.				

BILL SUMMARY: The bill deletes GS 58-31-66(b), which provides that this section of the statutes does not prohibit state or local governments from approving the form, sufficiency, or manner of surety bond provided by bidder's surety or from disapproving the surety because of its financial condition. The bill also deletes GS 58-31-66(c), which provides that a violation of GS 58-31-66 renders the contract void ab initio (from initiation).

ASSUMPTIONS AND METHODOLOGY: This bill is a recommendation of the Joint Legislative Transportation Oversight Committee and is included in its report to the 2004 legislative session. The act amends a contradictory statute that prohibits state and local governments from requiring contractors to choose a particular surety, agent, producer or broker (GS 58-31-66(a)), then allows the same governments to limit the contractor's choice of surety bonds (GS 58-31-66(b)).

In a review of HB 276, the bill creating GS 58-31-66 in the 2003 legislative session, the Institute of Government argued that existing statutes adequately protected state and local government interests in having reliable surety bonds. GS 44A-26 requires performance and payment bonds to be executed by one or more surety companies legally authorized to do business in the State of

North Carolina. GS 143-129(c) allows public agencies to reject bonds of surety companies with which the agency has pending claims or complaints. Based on these statutory safeguards, there will be no fiscal impact from the elimination of 58-31-66 (b & c) in SB 1084.

SOURCES OF DATA: North Carolina Legislation 2003 published by UNC Institute of Government (pages 164-165)

TECHNICAL CONSIDERATIONS:

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DATE: May 23, 2004

Signed Copy Located in the NCGA Principal Clerk's Offices