

Department of Legislative Services
Maryland General Assembly

FISCAL NOTE
Revised

House Bill 1117 (Delegate Boston)
(Baltimore City Administration)

Commerce and Government Matters

Procurement - Security for Construction Contracts

This bill increases, from \$50,000 to \$100,000, the amount of a construction contract for which payment and performance security is required and increases, from \$50,000 to \$100,000, the maximum amount of a construction contract for which payment or performance security may be required. The bill also increases from \$100,000 to \$200,000, the maximum amount of a construction contract not involving State money where Baltimore City has the discretion to determine security requirements. The program must provide for payment security of at least 50% of the contract value.

Fiscal Summary

State Effect: Minimal decrease in expenditures and potential decrease in revenues.

Local Effect: Minimal decrease in expenditures and potential decrease in revenues.

Small Business Effect: Minimal.

Fiscal Analysis

State Effect: Payment security means security to guarantee payment for labor and materials, including leasing equipment. Performance security means security to guarantee the performance of a contract. Payment or performance security may be a bond, cash, or other security that is satisfactory to the public body awarding the contract. State expenditures on construction contracts could decrease because savings from the cost of the surety bonds (up to 3% of the value of the contract) could be passed on to the State in the bid price of a contract. On the other hand, revenues could decrease to the extent that the State does not have payment or performance security for certain contracts.

As a point of reference, the State spent \$907 million on construction and construction-related services in fiscal 1996, the latest year for which such information is available.

Local Effect: Local governments could be affected as discussed above. Baltimore City advises the bill would have no effect on City finances.

Information Source(s): Department of General Services, University System of Maryland, Department of Health and Mental Hygiene, Baltimore City, Department of Legislative Services

Fiscal Note History:

First Reader - March 10, 1998

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