

Introduced: 3/5/85
Referred: Labor and Commerce,
Community and Regional
Affairs and Finance

1 IN THE SENATE

BY FERGUSON

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SENATE BILL NO. 213

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IN THE LEGISLATURE OF THE STATE OF ALASKA

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FOURTEENTH LEGISLATURE - FIRST SESSION

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A BILL

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For an Act entitled: "An Act relating to bonding and change orders on
state, state-funded, and municipal construction
projects."

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9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

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* Section 1. FINDINGS. The legislature finds that certain construction
contractors are not complying with the bonding requirements of the state
and are abusing the present system for changing the scope of the work on a
project. The legislature also finds that it is necessary to establish
additional methods for protecting the public, and, in particular, the small
community from these violations and abuses. The legislature concludes that
requiring construction contractors on all state, state-funded, and municip-
al projects to post cash bonds and to competitively bid change orders
would provide the additional safeguards necessary to alleviate the situa-
tion.

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* Sec. 2. AS 36.25.010(a) is amended to read:

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(a) Except as provided in AS 44.33.300, before a contract ex-
ceeding \$100,000 for the construction, alteration, or repair of a
public building or public work of the state or a political subdivision
of the state or for the construction, alteration, or repair of a
capital project that is funded entirely or partially by the state, is
awarded to a general or specialty contractor, the contractor shall
furnish to the state, [OR A] political subdivision of the state, or
other person for whom the work is to be performed the following bonds,
which become binding upon the award of the contract to that

1 contractor:

2 (1) a cash performance bond [WITH A CORPORATE SURETY QUALI-
3 FIED TO DO BUSINESS IN THE STATE, OR AT LEAST TWO INDIVIDUAL SURETIES
4 WHO SHALL EACH JUSTIFY IN A SUM EQUAL TO THE AMOUNT OF THE BOND]; the
5 amount of the performance bond shall be equivalent to the amount of
6 the payment bond;

7 (2) a cash payment bond [WITH A CORPORATE SURETY QUALIFIED
8 TO DO BUSINESS IN THE STATE, OR AT LEAST TWO INDIVIDUAL SURETIES WHO
9 SHALL EACH JUSTIFY IN A SUM EQUAL TO THE AMOUNT OF THE BOND] for the
10 protection of all persons who supply labor and material in the prose-
11 cution of the work provided for in the contract; when the total amount
12 payable by the terms of the contract is not more than \$1,000,000, the
13 payment bond shall be in a sum of one-half the total amount payable by
14 the terms of the contract; when the total amount payable by the terms
15 of the contract is more than \$1,000,000 and not more than \$5,000,000,
16 the payment bond shall be in a sum of 40 percent of the total amount
17 payable by the terms of the contract; when the total amount payable by
18 the terms of the contract is more than \$5,000,000, the payment bond
19 shall be in the sum of \$2,500,000.

20 * Sec. 3. AS 36.25.010 is amended by adding a new subsection to read:

21 (d) A person who fails to provide or maintain a bond required by
22 this section is guilty of a class A felony.

23 * Sec. 4. AS 36.90 is amended by adding a new section to read:

24 Sec. 36.90.010. CHANGE ORDERS. (a) Contracts for change orders
25 on a public construction or public works project or on a capital
26 project that is funded entirely or partially by the state shall be
27 awarded based on competitive bids obtained under the procedure pro-
28 vided in AS 37.05.230.

29 (b) In this section "change order" means an alteration of the

- 1 original scope of the work to be done on a project covered by this
- 2 section.
- 3 * Sec. 5. AS 19.40.030 is repealed.