

Senate File 2376 - Introduced

SENATE FILE 2376
BY COMMITTEE ON LOCAL GOVERNMENT

(SUCCESSOR TO SF 576)
(SUCCESSOR TO SSB 1151)

A BILL FOR

1 An Act relating to bonds and letters of credit for general
2 contractors and subcontractors.

3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

unofficial

1 Section 1. NEW SECTION. **572A.1 Contractor performance bond**
2 **— registration requirement.**

3 1. A general contractor or subcontractor that engages in the
4 business of construction in this state shall obtain and maintain
5 an annual performance bond or irrevocable letter of credit in the
6 amount of fifty thousand dollars. The bond or letter of credit
7 shall be payable to the state of Iowa and executed by a surety
8 company or financial institution authorized to do business in
9 this state.

10 2. A bond or letter of credit required pursuant to this
11 section shall be filed with the state. The state or a political
12 subdivision of the state may enforce the requirements of this
13 section in connection with private construction work within its
14 jurisdiction and may bring an action on the bond or letter of
15 credit in the name of the state of Iowa for the use and benefit
16 of a private person or political subdivision harmed by the
17 contractor's or subcontractor's failure to perform contractual
18 obligations or for violation of this section or other applicable
19 law.

20 3. The aggregate liability of a surety company or financial
21 institution under a bond or letter of credit issued pursuant to
22 this section shall not exceed the penal sum of the bond or the
23 face amount of the letter of credit, regardless of the number of
24 claims made or actions brought.

25 4. A general contractor or subcontractor shall not register,
26 renew a registration, or conduct business as a general contractor
27 or subcontractor in this state unless the general contractor or
28 subcontractor has a bond or letter of credit as required by this
29 section.

30 5. A political subdivision of the state shall not, in
31 connection with private construction work, require a general
32 contractor or subcontractor to obtain or file a bond, letter of
33 credit, or other financial security, or require the issuance of
34 a license or impose a license fee or charge, except as expressly
35 required by this section or by other state or federal law.

1 6. This section does not apply to a general contractor or
2 subcontractor performing work for the state or a political
3 subdivision of the state, including work subject to the
4 requirements of chapter 8A, subchapter III.

5 7. For purposes of this section:

6 a. "Construction" means the improvement of real property,
7 including the performance of labor or furnishing of materials for
8 the alteration, repair, or erection of a building or structure.

9 b. "General contractor" means the same as defined in section
10 572.1.

11 c. "Subcontractor" means the same as defined in section
12 572.1.

13 EXPLANATION

14 The inclusion of this explanation does not constitute agreement with
15 the explanation's substance by the members of the general assembly.

16 This bill relates to performance bonds and letters of credit
17 for general contractors and subcontractors. The bill requires a
18 general contractor or subcontractor, as defined in Code chapter
19 572 (mechanic's lien), engaged in the business of construction,
20 defined in the bill as the improvement of real property,
21 including the performance of labor or furnishing of materials for
22 the alteration, repair, or erection of a building or structure,
23 in this state to obtain and maintain an annual performance bond
24 or irrevocable letter of credit in the amount of \$50,000. The
25 bond or letter of credit shall be payable to the state of
26 Iowa and executed by a surety company or financial institution
27 authorized to do business in this state.

28 The bill requires a bond or letter of credit required by
29 the bill to be filed with the state. The bill allows the
30 state or a political subdivision of the state to enforce the
31 requirements of the bill in connection with private construction
32 work within its jurisdiction and to bring an action on the bond
33 or letter of credit in the name of the state of Iowa for the
34 use and benefit of a private person or political subdivision
35 harmed by the contractor's or subcontractor's failure to perform

1 contractual obligations or for violation of the bill or other
2 applicable law.

3 The bill limits the aggregate liability of a surety company
4 or financial institution under a bond or letter of credit issued
5 pursuant to the bill to the penal sum of the bond or the
6 face amount of the letter of credit. The bill prohibits a
7 general contractor or subcontractor from registering, renewing a
8 registration, or conducting business as a general contractor or
9 subcontractor unless the general contractor or subcontractor has
10 a bond or letter of credit as required by the bill.

11 The bill prohibits a political subdivision of the state
12 from requiring, in connection with private construction work, a
13 general contractor or subcontractor to obtain or file a bond,
14 letter of credit, or other financial security, or the issuance
15 of a license, or imposing a license fee or charge, except as
16 otherwise required by law. The bill does not apply to a general
17 contractor or subcontractor performing work for the state or a
18 political subdivision of the state.