

**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:

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

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

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

25 4. A general contractor or subcontractor shall not  
26 register, renew a registration, or conduct business as a  
27 general contractor or subcontractor in this state unless the  
28 general contractor or subcontractor has a bond or letter of  
29 credit as required by this 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  
34 of a license or impose a license fee or charge, except as  
35 expressly required by this section or by other state or federal

1 law.

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

6 7. For purposes of this section:

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

11 b. "General contractor" means the same as defined in section  
12 572.1.

13 c. "Subcontractor" means the same as defined in section  
14 572.1.

15 EXPLANATION

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

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

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

1 benefit of a private person or political subdivision harmed  
2 by the contractor's or subcontractor's failure to perform  
3 contractual obligations or for violation of the bill or other  
4 applicable law.

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

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